No. 30,374

Wednesday October 28 1987

London

FT-SE 100 Index

11

16 October 1987 27

New York

Dow Jones Index

Traders, not only on Wall
Street but in other major stock
markets, have been looking for
signs of what they would regard
as a realistic assessment of the
aitnation in Washington.
Wall Street has not been so
intently preoccupied with developments in Washington since
1982 when the markets were
seeking interest rate cuts which
eventually triggered the 1982-87
buil market or 1990 at the beight

divided about how to confront a dent to accept a tax increase as tion of the resistance of some crisis which has the capacity to part of a deficit reduction pack-top White House officials to the recast the economic and politicage and in doing so, by implication that the stock market crash

and Canada - on how to respond

Neither Bonn nor Tokyo had so far signalled that they would be willing to respond to a US

national economic policy co-opcration.

It appears that there are still
significant differences among the seven - the US, Japan, West of West Germany's Bundesbank by the news of a sharp rise in Germany, France, Britain, Italy

be wining to respond to a US that such attacks might well prove counter-productive, enforted to stimulate couraging the Bundesbank to stiffen its resistance.

Yesterday the dollar was hit by Mr Nigel Lawson, Britain's West Germany's trade surplus

Dollar hits its lowest level in seven years

World News

Business Summary

Soviet-US summit speculation mounts

sador Jack Matlock for a meet-pared with \$235m or \$1.06 a ing, raising speculation that the share a year ago. Page 29 Kremlin could be making a GOLD fell on London bullion fresh proposal on a summit.

West intensifies pressure on Iran

Foreign and defence ministers of the seven-nation Western De-fence Union called for further prompt measures against Iran if England figures, dollar's exit did not rapidly respond to a change rate index was un-UN call for a ceasefire with changed at 39.6. Page 35

Iraq. Page 26

Meanwhile the Iranian oppo
People's Mojahedsition group People's Mojahed-in said Iran had moved another Silkworm missile and its launcher towrds the Faw peninsula in preparation for a fresh attack in the Gulf.

Mass arrests in India

Punjab killings

Ten people were killed and several others injured in Punjab as profit of \$18m for suspected Sikh extremists last year. Page 29 launched attacks at six different locations in the state.

L. F. ROTHSCHU

Britain's extension of territori- past two weeks. Page 29 al waters, after allowing some ships to enter and leave over-night. Extra services from En-gland to Zeebrugge and Ostend

S. Korean referendum

South Koreans approved a democratic constitution expected to lead to the first direct presidenlead to the first direct presidential election in 16 years, according to early unofficial returns than \$250m on new paper maing to early unofficial returns chines in Europe, which it extends to a 10 per cent

Manila TV blackout

Two Manila television stations went off the air after a fire, preceded by a loud explosion broke out in a suburban broad casting complex. US aid. Page 4

Investor kills himself

A US investor who reportedly lost \$500,000 in last week's stock market crash committed suicide in Wisconsin after his broker

demanded repayment of loans. Brussels aids Poland

The EC Commission said it would send Ecu2m (\$2.33m) of emergency medical aid to Po-land following appeals from the Roman Catholic Church in Po-more than doubling to Y24.98bn

IRA targets women

The IRA warned that wives and girlfriends of British security forces would be a prime target in its guerrilla war for a united

Prosecutor sacked

Porno network taxed

France is to impose a 33 per cent sales tax on its booming pornographic videotext net-work which provides subscribers with computerised lonely-

KIO builds \$2.4bn stake in Spanish industries

Moscow was willing to hold a superpower summit in Washing-ton and it could take place this year, the deputy leader of the Soviet Union's UN delegation said.

He said Moscow placed great importance on a summit at which President Ronald Reagan and Soviet leader Mikhall Gorbachev would sign an agreement scrapping medium- and shorter-range nuclear missiles and that Washington was the only site being considered.

Earlier, in Moscow, Soviet

KUWAIT Investment Office, official Kuwaiti investment agency, has built up direct holdings im Spain over the past 14 months, including important stakes in pulp and paper, and chemical and sugar industries, worth \$1.77bn, with a further \$650m indirect holdings through Torras Hostench, Barcelona-based paper company.

Page 31

CHEYSLEE, third largest US car maker, had an 8 per cent improvement in profits the third-

Earlier, in Moscow, Soviet provement in profits the third-Foreign Minister Eduard Shev- quarter, reporting net earnings ardnadze called in US Ambas- of \$253m or \$1.15 a share, com-

BOEING, world's largest air-Indian police detained 3,000 deterioration in net profits for demonstrators in Tamil Nadu, three months ended September south India, as they tried to 30 to \$104m or 67 cents a share, picket central government of compared with \$157m or \$1.01 a year earlier. Page 29 itary action against fellow Tamils in Sri Lanka.

EASTERN Air Lines, main sub-

sidiary of Texas Air Corpora-tion, biggest US airline group, suffered third-quarter loss of \$67m after tax, compared with a profit of \$18m for same period

Channel ports blocked

Channel ports blocked

French fishermen renewed holders' funds - as a result of their blockade of Calais and the "unprecedented downturn Boulogne in protest against in equity markets" during the

MOBIL, second largest US oil company, made net profits of \$319m or 77 cents a share in the

Zealand investment company has reported first half-year ne

MIM Holdings, Australian base metals and coal mining group, announced net profits rose to A\$11.69m (US\$8.33m) in the first 12 weeks ended September 27 from A\$9.93m in the same peri-

TOSHIBA, leading Japanese

NOKIA, Finish electronics, ca-The state prosecutor and his deputy in the Yugoslavian republic of Bosnia-Herzegovina were sacked for their role in a multi-million-dollar finance his first eight months of 1987, compared with a profit of FM694m for the whole of 1986.

ELKEM, Norwegian metals group, reported a lose of NKr125m(\$18.8m) before extraordinary items in the first nine months, compared with a loss of NKr155m the reputation loss of NKr151m the previous year, Page 31

market to close at \$475.75 (\$476.125); In Zurich it fell \$3.00 to \$473.25. Page 35

(FFr10.0450); and to SFr2.4650 (SFr2.47). Pound's exchange rate index was unchanged at 74.1 Page 35

third-quarter - 4 per cent lower than corresponding figures a year ago, after adjusting for a one-time loss of \$150m. Page 29

SCOTT PAPER, world's largest producer of toilet tissues, has

ropean workforce over the next three years. Page 29 EQUITICORP Holdings, New profit jumped 72 per cent to NZ\$55.24m (US\$35.8m) com-pared with NZ\$32.08m. Page 20

R101.5m (\$50.23m) from R86.0m in the corresponding six months of 1986. Page 20

Page 31

PRESIDENT Ronald Reagan yesterday acknowledged for the first time that the stock market crash represented a serious threat to the economic outlook and pledged to put politics aside in negotiating a budget deficit companies. aside in negotiating a budget deficit compromise.

His statement came on a day when global equity markets staged a faltering recovery and bond prices fell, reversing Monday's pattern.

Stock markets in Tokyo, London and Wall Street all closed higher, although the gains nowhere near made up for Monday's sharp declines. Trading was still very nervous as all eyes were trained on political activity in Washington.

Mr Reagan was speaking

DOLLAR fell in London to DM1.7635 (DM1.7755); to FFr5.9075 (FFr5.9475); to SFr1.4540 (SFr1.4625); and to Y141.60 (Y142.20). On Bank of

STERLING rose in London to \$1.6960 (\$1.6890); remained un-changed at Y240.25; but fell to DM2.99 (DM2.9975); to FFr10.02

EASTERN Air Lines, main sub-

L F BOTHSCHILD, prominent

pects will lead to a 10 per cent increase in its 6,500-strong Eu-

od to September 14 last year. electronics company, staged sharp jump in pre-tax profits in

more than doubling to Y24.98bn (\$175.7m) from Y12.4bn in the same period last year. Page 29 VEREENIGING Refractories, South African industrial refrac-tories and building products manufacturer, lifted turnover in the six months to September to

Lawson favours

affect the demand for cars. The motor industry is the main customer for Bundy's small-diameter tubes which are used in fuel and brake lines.

The reversal defeats TI's ambition to become the world leader in the specialised tub-

ing, which is also used in refrig-

economic outlook clears, but it was not known how this might be received by Bundy, which was only told of TI's change of heart on Monday evening.

TI decided against proceeding at the last minute, on the eve of today's extraordinary general meeting at which shareholders were to be asked to approve the sequisition.

Atthough its tender offer had already been formally launched and Bundy shareholders would have made investment decisions last week on the presumption that it would proceed, Mr Lewinton said: "We're advised we have no legal exposure."

He conceded however, that

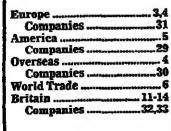
the US. TI will insist that its di-rectors' fiduciary duty to share-holders outweighs all other fac-tors. It has been advised by the US law firm Sullivan & Crom-well and London solicitors Al-len & Overy.

TI also acknowledged that its

Continued on Page 28 Lex. Page 28



Weather World Index



Agriculture .

cial Futures Inti. Capital Markets -Management . 11-14 Men and Matters . 32,33 Money Marketa Stock markets - Bourses . - Wall Street ... - London 35-35

BETTER TIMES ON WAY FOR NORTH

YELLEN



President Ali Abdullah Salih, who has helped to create the basis of political stability, Page 26

is tailored products

Lex: Australian Stock Market; BP/Market; TI Group ... Surveys: Aluminium and West Ger-

Management: ICL's priority for Europe Technology: Big-hearted version of in-tegrated trading ______9 FT law report: Mitsubishi can claim on shipbuilding guarantee _______10

Markets stage faltering recevery • Top level talks begin on deficit • President pledges non-partisan approach to budget

Reagan admits economic threat

BY STEWART FLEMING IN WASHINGTON, JANET BUSH IN LONDON AND RODERICK ORAM IN NEW YORK

Tokyo

White House tries to assert leadership

PRESIDENT RONALD Recal landscape ahead of next agan's warning yesterday that year's elections.

The initial reaction of consersants a threat to the economy vatives in the White House was marks a new effort by the White to downplay the stock market to downplay the stock market a new effort by the White to downplay the stock market a new effort by the White to downplay the stock market are regarded.

The initial reaction of consersants a tax increase has been a blunder.

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The initial reaction of consersants are represented by the White to downplay the stock market a tax increase has been a blunder.

The initial reaction of consersants are represented by the White to downplay the stock market are represented by the White to downplay the stock market crash represents a threat to the economy varieties are represented by the White to downplay the stock market crash represents a transfer of the consersants are represented by the White to downplay the stock market crash represented by the White to downplay the stock market crash represented by the White to downplay the stock market crash represents a tax increase has been a blunder.

The initial reaction of consersant represents a tax increase has been a blunder.

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The initial reaction of consersant represents a tax increase has been a blunder.

The initial reaction of consersant represents a tax increase has been a blunder.

The initial reaction of consersant represents a tax increase

At the cornerstone of the con-servative Republican ideology, which Mr Reagan has been com-mitted to, is the contention that taxes needed to be cut and kept low in order both to stimulate the private sector and keep up the pressure to shrink the role-of greenment in society.

of government in society.

The most visible demonstra-

Chancellor of the Exchequer, underlined the differences which have emerged in private discussions between governments and central banks. Mr Lawson said that the Bundesbank should respond to the stock markets crash by cutting its interest rates.

its interest rates.
The officials, however, said

Nikkel Average

activity in Washington.

Mr Reagan was speaking some hours before White House and Congressional negotiators sat down for the first round of top level talks on the deficit which the President agreed to participate in on Monday.

He said: "Anyone who doubted that these threats to our future growth were serious should have been set straight in the last couple of weeks.

"Recently the stock market has alerted us of potential dangers on the economic hori-

Administration a message that it would like to see some flexibility on spending and raising revenues,' said Mr Thomas Ryan, head equity trader at Kid-Fears that large US budget and trade deficits would push

Week.

If Congress and the Administration agree in coming days on spending cuts and tax increases, Wall Street stocks could enjoy a solid rally independent of the tone or performance of foreign markets, Mr. Hyan said.

From a gain of more than 80 saids sharily after the opening gains.

From a gain of more than 80 points shortly after the opening, the Dow Jones Industrial Average drifted back to close up only 52.55 points at 1,846.48.

US bonds were undermined by the better performance of equity markets, a weaker dollar and a lack of confidence among investors that bonds would add in the short term to their recent spectacular gains. The Treasury bond self almost two points.

Meanwhile, International Business Machines, the world's call off its proposed sale of Brit-

a tax increase was not needed to address the deficit issue.

in address the deficit issue.

His comments reportedly infuriated White House pragmatists such as Mr James Baker, the Treasury Secretary. There were even reports - inspired by his enemies - that Mr Miller had

outlived his usefulness in the

Administration and should therefore be excluded from the

last month, by continuing un-certainties over the outcome of negotiations on the US budget deficit and by the absence of central bank intervention. It closed it London at DM1.7635, 1.2 pfennigs lower than on Monday and its lowest level since July 1980. Sterling, which was relatively stable against European currencies, rose to \$1.6960, up 0.7 cents and

rose to \$1.6960, up 0.7 cents and its highest against the US cur-rency since October 1962. W German trade surplus, Page 3; Lex, Page 23; Carrencies, Page

up interest rates and further devalue the dollar helped trigger stock markets to regain their the stock market's collapse last week.

Sumita said he expected world stock markets to regain their stability now the US was determined to reduce its budget defi-

Business Machines, the world's largest computer company, yes largest computer company, yes in terday joined the rush by US companies to buy in their own shares. It said its board had authorised the spending of up to \$1bm to continue repurchasing its stock in blocks of at least to 1. If the Government were to call off the BP issue, the equity market. If the Government were to call off the BP issue, the equity market would be relieved of a large through the property of the BP issue, the equity market would be relieved of a large through the sale goes in about the underwriters of the lasse would more than likely the bounded strongly yesterday, taking heart from reassuring stock on their books successments by Mr Satoshi Sumitates in termed, Page 2; editorial comments Page 2; editorial comment, Pag

Mr Reagan's statement yester-day suggests that those in the Administration who have been arguing that a budget compro-mise is needed as part of the ef-fort to stabilise the markets and

the economy have the upper hand. The fact that the market

has not bounced back from its spectacular decline and that

Dollar in London

1.95

1.90

1.85

1.75

140

Yen / S

Cantinued on Page 28

against the D-Mark

against the Yen

HK stock market overlord

appointed

By Robin Pecley in London and
Devid Dodnell in Hong Kong
THE HONG Kong Governmen mounted a concerted campaign yesterday to try to restore interpaterday to try to restore in the reactional confidence in its troubled securities industry with the appointment of Mr Robert Fell to the newly created post of enior chief executive. Mr Fell, who retired only two months ago as the territory's banking commissioner, will fly to Hong Kong at the weekend with an urgent brief to intro-duce stock exchange reforms. Meanwhile, in London, Sir David Wilson, the colony's Gov-ernor, predicted that Hong Kong would emerge stronger

than ever from the present crisis.

Sir David, who has been closely involved in the plan to bring Mr Fell back, told the Hong Kong Trade Development Council that although the past week's collapse had shown up weaknesses in the colony's market system he was confident the right lessons would be learned and the necessary changes could and would be made.

An early change is expected to be the premature retirement of Mr Ronald Li, the current stock exchange chairman, and his replacement by Mr Charles Sin, a local solicitor. The Government is also planning a commission of inquiry into the workings of the futures and equity exchanges.

The past week's problems are not the first we have faced. Sir David said. "Experience has shown that Hong Kong has the ability to bounce back and also a capacity to learn from mistakes."

than ever from the present cri-

a capacity to learn from mis-takes." The concerted effort to show a calm face came as the Hong Kong Government launched a second HK\$2bn (\$255m) rescue package to try and shore up the HESDn lifeboat fund was launched on Sunday but this proved insufficient.

The Hong Kong markets were

Continued on Page 28

TI withdraws from Bundy deal in wake of stock market crash

BY CLAY HARRIS IN LONDON

THE dollar fell sharply yester-

against other major currencies
as leading central banks rebut
mained on the sidelines.

The slide came as senior European officials said that there
ed.

were no plans at present for an early meeting of the Group of

gers on the economic hori-zon...it is time to put aside parti-san rivalries and work together

The President's statement fol-

lows a week during which his confusing and, at times, appar-

the stock market crash represents a threat to the economy marks a new effort by the White to downplay the stock market House to demonstrate leadership on the economic crisis and from the beginning that Democrats on Capitol Hill were prechances of shaping the outcome of the talks to its advantage.

Since the stock market collarse began in earnest at the migrities.

Since the stock market col-lapse began in earnest at the priorities.
beginning of last week, the In particular, there was im-white House has been deeply mediate pressure on the Presi-divided about how to confront a dent to accept a tax increase as

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT IN LONDON

day, hitting its its lowest levels in the longer term to the recent for more than seven years against other major currencies "We are all agreed that the US budget deficit must come down but beyond that it is much more difficult," one official comment-

for our nation's future."

TI GROUP, the British engineering company, yesterday abruptly pulled out of its agreed \$144m acquisition of Bundy, the leading US manufacturer of small-diameter tubing, because of the superstance. because of the uncertain eco-nomic outlook, in the wake of the worldwide collapse in share

prices.
TI is the first large UK company to call off an agreed takeover since the stock market crash, alsince the stock market crash, arthough several transactions involving US companies have already fallen apart and merchant bankers in London yesterday reported that a number of imminent deals had been aborted

aborted. Mr Chris Lewinton, chief executive, said TI could no longer justify paying \$40 a share for Bundy. S.G. Warburg and Mor-gan Stanley, respectively TTs British and US financial advis-British and US financial advisers, had refused to renew their advice given last month that Bundy represented fair value for the \$40 cash offer.

Bundy shares, which fell less than 5 per cent last week because they were underpinned by TI's cash offer, plummeted yesterday in New York, losing \$16½ to \$20 after a delay to the go-ahead for BP

Britain's Chanceller of the Ra-choquer, Mr Nigel Lawson, yesterday told Parliament that he would prefer that the 27.25m (\$125n) British Petroleum ahare offer should go ahead. He said, however, that he hoped to make the final deci-sion by temorrow, but late last night talks were still contin-uing between the UK Trea-sury, the company and N.M. Rothschild, the lead bank in-volved. Page 28

start of trading. It was trading at \$28 before the TI offer was launched.

Mr Lewinton said the decision was based not only on the fall in share prices, but also on the prospect that a decline in US consumer confidence would affect the demand for cars. The motor industry is the main cus-

eration equipment.

Mr Lewinton did not exclude a new approach to the US group when markets settle and the economic outlook clears, but it

prove the acquisition.

Although its tender offer had

He conceded, however, that TI was likely to face lawsuits in the US. TI will insist that its di-

Jamaica: Revival may be too late for

29 OCTOBER 1929

...again?

What now? Stocks?

Bonds?

Gold? Which Currency?

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BP share sale revives dispute over underwriting fees

THE PROSPECT of unprecedentedly large underwriting losses on the British Petroleum share sale, which has led the 14 banks which acted as underwriters to ask for it to be aban-doned, has also revived the dispute over the level of fees for underwriters and subunderwri-

Interestingly, the investment committee of the Association of British Insurers, which repre-sents most of the UK subunderwriters who will have to bear the losses of the issue, yesterday urged the Government to

lieve that the losses, particularly those suffered by the over-seas investment banks, are likely to end the pressure from the Government to cut under-



in recent years has been the failure of companies to force the investment institutions to The renewed dispute was first cut their fees, despite a widemade public last week by Sir spread feeling that those fees John Nott, chairman of Lazard have represented money for old Brothers, who accused the Gov-rope.

the investment committees of derwriters for the first 30 days that they are on risk, plus 0.125 the BP sale for w per cent for every week, or part per cent was paid. of a week, thereafter. An extra 0.25 per cent is paid to the broker and 0.5 per cent to the primary underwriters,

As far as the primary under-writers are concerned, the Gov-ernment has squeezed their fees ruthlessly over the past three years by asking for tenders. The rate was cut from 0.5 to 0.375 per cent in the privatis-ation of British Telecom, to 0.14 per cent with British Gas, and then remarkably to only 0.018 per cent in the BP sale.

erument of paying the under-writers too little. And most of his fellow merchant bankers be-1960s and has been endorsed by success with the primary underwriters. And no one, not even the institutions, gives a 1.25 per the Government, has achieved cent commission to the submany reductions in the 1.25 per cent subunderwriting fees, until the BP sale for which only 1.0 The inability of companies to

negotiate any reduction in those fees has led to claims by cartel is operating unchal-lenged as yet by the Office of Last we Fair Trading According to one markets h Fair Trading According to one markets has highlighted the leading merchant bank corporate financier yesterday. Suther long term, have the risks bunderwriting is the one cartel been small in relation to the which has survived Big Bang. It fees? The eagerness of the instisurvived, he thought, because of tutions to take on subunderwrit-the leverage the investment in-ing-they generally offer to take

The only exceptions to the standard subunderwriting fee structure which have appeared over the past two years have been for small companies making contested bids for much larger ones. Some bidders, such as the Argyll group in its bid for Distillers, or WPP for J.Walter those fees has led to claims by Thompson, succeeded in nego-merchant bank corporate fi-tiating lower fees if their bids nance departments that a tacit failed, but higher ones if they

Last week's collapse in the

More revealing is a classic, study carried out in 1980 by Mr Paul Marsh, professor of man-agement and finance at the Loned out that, stripped of its mystique, underwriting



selling of put options on the shares being issued Subunderwriters' fees should therefore equal the price of the equivalent options. By applying the Black and Scholes formula to determine

holders in companies making - suggests that the fees are too the fair price of such options in the issues. - suggests that the fees are too the fair price of such options in advance of 671 rights issues, he found that on average subun-derwriters charged twice as much as they would have done in an efficient market. Looked at after the event, the fees were four times higher than the risk would have justified. In only 35 cases did the subunderwriters suffer any loss.

Other studies carried out more recently by LBS researchers suggests a similar degree of ers suggests a similar degree of overcharging on the underwrit-ing of stock market flotations. According to Mr Marsh: "It is amazing that there has not been more competition on underwrit-ing fees. The reason must be that the finance director of a company has probably never done a rights issue before.

BP underwriters are among the

Chicago underlines problems for options

By Deborah Hargreaves in Chicago and Alexander Nicoli is

FUTURES AND options man kets thrive on volatility. But the extraordinary movements of the past two weeks have shown how costly extreme price fluctuations can be for

No other exchange has yet suf-fered traumas on the scale of fered traumas on the scale of the Hong Kong Futures Ex-change, where potentially de-faulting traders are being supported by a hastily-ar-ranged HK\$4bn (\$512m) life-boat scheme. Nevertheless, there have been tense moments for exchanges and their clearing houses as they have issued special calls

they have issued special calls for stepped-up margin pay-ments - security against po-tential losses. Ill such calls have been met by

clearing members of futures and options exchanges in the US and UK.

Counter-party

The markets' problems are likebe markets problems and nearly to bring home to many peo-ple the advantages of dealing on exchanges cleared by fi-nancially sound clearing houses, which stand between market participants, acting as the counter-party to each individual trade. This means that trading firms are not exposed to one another, but to the clearing house.

number of clearing members.

however, have found their own clients unable to meet their obligations to them be-cause of their losses. This is hardly surprising given that losses by options traders on the Chicago Board Options Exchange alone are estimated at a rough \$150m.

About 100 seats have been sold the control of the seats have been sold the seats have bee

on Chicago's three fatures and options exchanges since the crash began, and the city is rife with rumours about trading firms being forced un-

The problems which many firms are likely to face are underlined by those of First Options of Chicago, a subsidiary of Continental Illinois, which is itself owned by the US Government following his rescue

several years ago.
First Options, bought for \$136m last year, is the largest clearing firm for options traders in the US. It clears trades and lends money to about 45 per cent of the CBOE's 1,290 trad-ers. Configental disclosed this week that it will suffer a "moderate" loss in the fourth quarter due to a \$90m charge at First Options.

of First Options.

First Options' primary capital
of around \$2.5bn is made up of
loans from its parent and other banks. Last week's heavy
trading volume had led Continental to overstep its legal lending limit to First Options, which now says it is increasing the amount of collateral traders must have and seeking other ways to reduce its exposure to the market

On a smaller scale in London, stockbroker A J Bekhor was forced to close out clients' po-sitions which were showing a

ioss of over £5m.

The volatility of both the stock markets and those linked to them have also produced difficulties in setting prices and executing orders on the floor of exchanges - another poten-tial source of loss for market participants.
In Singapore, for example, Nikkei stock index futures were
dealt as low as 5,000 when the

dealt as low as 5,000 when the index was over 20,000. Elsewhere, inordinately wide spreads between bid and offered quotes have been seen. The Chicago Board Options Exchange has set up a committee to investigate possible pricing irregularities in its crowded pit trading Standard & Poor's 100 options, the busiest contract in the futures and options industry. options industry.

Overcharging

Although trading execution and Although trading execution and pricing were erratic on most exchanges last week, the CBOE is the first exchange to look into overcharging at the opening of last Tuesday's frenetic market - the morning after the Dow Jones index had failen more than 500 points.

Attempts to set an opening price failed. The exchange was then closed for an hour because prices for the underbecause prices for the underlying stocks were halted due to order imbalances in New

Traders' losses are taking their toll on market activity. Many local traders at the Chicago Mercantile Exchange are unwilling to take the risk of trading S&P 500 index futures, removing much of the liquidity from the pit. The contract has been trading one-third below its usual volume.

This may pose a serious threat to the stock index futures and options markets' survival. At this stage, the danger must be that many of the market's participants will simply with-

Arguments are strong for Lawson to proceed with offering

BY ANATOLE KALETSKY IN NEW YORK AND RICHARD TOMKINS IN LONDON

IN SPITE of the underwriters' the gilts market. plea that the British Petroleum share offering should be with-drawn, the arguments for going would still let the underwriters

waster underwriting in sectes—
sary. To pull the BP issue now of the 2.1bn shares being sold, would be to remove the justification for having underwritten all the other issues.

Further, the loss of the product in the UE, 430m in Canada and 165m in Continental Eu-

Further, the loss of the proceeds from the BP issue would upset the Government's budgetary arithmetic for the current pressure for a withdrawal of the year and the next two, with consequent effects on the scope for the UK underwriters face by far tax ents or increased demands on the largest exposure to the issue,

NTT sale

go ahead

expected to

THE JAPANESE Government's

plans to sell shares in Nippon Telegraph and Telephone have

ers yesterday expressed confi-dence that the sale of the sec-

ond tranche of NTT shares would be a success despite the

turmoil in world stock markets. The sell-off is scheduled to be-

gin on November 10. The situation is quite differ-

ent to British Petroleum," said

NTT has been listed on the

unexpected highs, giving the company the largest market capitalisation in the world. Even after the recent collapse

in share prices, NTT is currently only 125 per cent off its peak at Y2.78m. And despite this drop in value, it is still more than twice its debut price of

The second tranche of 1.97m shares will be offered at a 3 per

cent discount to NTT's price on the day before the sale, Novem-ber 9. Underwriters believe

that this discount will be suffi-cient to attract buyers, as long

ment's supplementary budget this year. The Ministry's calcu-

lations, it is understood, were

based on a sale price of around 12.5m.

As a result, some analysts say that the sale could be post-

poned if NTT's shares fall significantly lower than Y2.5m.

Others argue that the Govern-ment must go ahead with the

sale in any event because the NTT privatisation has been a significant achievement of the

Nakasone government and, as such, should not be stopped in

ers yesterday remained confi-dent. I haven't heard of any

cancellations. In fact, we've had

tomers," said one underwriter

FINANCIAL TIMES

Y1.19m last year

ahead appeared to remain as persent book and would also cost suasive as ever to Chancellor Nigel Lawson yesterday.

To pull the issue would involve that an embarrassing about turn and the certainty of a political outery about the underwrite. cal outery about the underwriting, but also the unwelcome attention of the Public Accounts

Committee, Parliament's watchdog on public sepading.

The PAC has criticised the
costs incurred on earlier privatisation issues and questioned.

Whether underwriting is necessary. To will the RP issue new

Of the 2 lim shares being sold.

BY DAVID DODWELL IN HONG KONG

WITH THE suspension yester-day of 43 members of Hong Kong's futures exchange, the territory's stockbroking commu-

now standing at HE54bn (\$512m) - is in place. Big companies in the territory, along with leading banks, mainland Chi-

nese institutions and the indi-

vidually wealthy, like Mr Li Kashing, have made commit-ments to support the stock mar-

ket as it comes under pressure.

adequate. Crisis is likely to unfold first

the deposits investors have to pay on each futures contract-from HK\$15,000 to HK\$50,000.

The move - which many with the advantage of hindsight will

say was long overdue - will re-duce at a stroke the leverage on

Hang Seng index trading that made the market so addictive to speculators. Until two weeks

speculators. Until two weeks ago, a deposit of HK\$15,000 gave an investor a contract worth HK\$180,000. An improvement of the iraumas in the futures ex-

опе гевиј

been unaffected so far by the plunge in equity prices.

Indeed, Ministry of Finance officials and leading underwrit
The Government's 'lifeboat' -

ties, one of the leading under-writers yesterday.

Tokyo Stock Exchange since the on the futures exchange. Oversale of the first tranche of night, Mr Philip Thorpe, the exshares last year. During that time, the shares have soared to raised margins on contracts.

they have passed down most of the risk to well over 400 sub-un-

The exposure of these individ-ual subunderwriters is therefore limited, and they seem to be accepting their fate with good grace. The Association of British Insurers, which represents a substantial proportion of the subunderwriting institutions, yeshanday said it pasented any surface. terday said it resented any sug-gestions that its members might be trying to shirk their responsi-

Overseas, the European alloca-tion is relatively small and is spread between lead managers in a dezen countries, so no indi-vidual house is likely to be bear-lng a large part of the risk. Cana-da has a subunderwriting system similar to the British one, though it is unclear how much of the rick Wood Candy, the lead the risk Wood Gundy, the lead manager, had been able to ky off before the market's crash. In Japan 20 per cent of the is-sue has been subunderwritten and the rest is underwritten by

wave of defaults on exchanges

less than 10 per cent in the Hang Seng index was thus al-lowing him to more than double

As of tomorrow, a deposit of HK\$50,000 will provide a contract that has fallen to be worth less than HK\$120,000. As a casi-

no, the futures exchange has lost its appeal overnight.
At the same time, however, brokers on the exchange are be-

ing asked to furnish substantial

fresh money at a time when they are least able to provide it. If anything, therefore, the total of

defaulting companies will be

pated.
Of even less comfort to the

Government - and the Guaran-tee Corporation that was to set-

tle defaults - is the fact that many financially troubled fu-tures traders are limited liabili-

ty companies registered in ter-ritories like Panama, Bermuda

and Liberia and have paid up capital of HK\$2. Recovering-debts from such companies is likely to be a forlorn process,

and may erode much of the total
of HK\$4bn now committed by
international institutions, leading banks and the committee.

Hong Kong prepares itself for double

the five lead managers: Daiwa Securities, which is thought to be bearing 50 per cent of the un-derwriting risk, Nomura Securi-ties, with an estimated 20 per cent, Nikko Securities with an estimated 12 per cent, and Ya-maichi Securities and Warburg Securities with 2 per cent each Securities, with 9 per cent each. That puts Dalwa in a relatively

That puts Baiwa in a relatively exposed position, but not one which it is likely to distress a house of such size.

Probably the biggest losers would be the US underwriters - Goldman Sachs, Morgan Stanley, Salomon Brothers and Shearson Lehman. Unlike the British underwriters, the US investment houses have not laid off any of their risk to subunderwriters. their risk to subunderwrite

change, as the debts of compa-

nies that act as subsidiaries of brokers on the full stock ex-

change put brokers in difficul-

Several international securi-

Several international securities houses revealed yesterday that they have drawn up a "watch list" of more than 60 stockbrokers that show signs that they could be in difficulties. For the time being trade with these companies has been

suspended - an act of no small

consequence since it suggests ostracism of 10 per cent of the

brokers on the exchange floor.

There is also grave concern

about the circulation of "rubber

cheques. Member firms were

telling government officials last week that there was a serious

week that there was a serious risk when trading on the stock exchange resumed on Monday that brokers facing serious financial problems would move into the market as buyers in the full knowledge that their cheques, which would not be cleared until Wednesday, would bounce.

By the time this was discovered, the scrip - which is as good as currency - would have been delivered, and they could be out of the Colony. At present, there is no evidence that such a fraud has taken place, though

their risk to subunder writers.

The US mechanism for issuing and distributing new equity does not allow for subunder writing because the price of a stock offering is not normally fixed until the actual day of the issue. Until the price is fixed the stock's registaration with the Securities and Exchange Commission does

not become effective and under-writers cannot enter into binding contracts to sell the stock.

The reason for the different anderwriting mechanism is to ensure that new stock issues are sold as close as possible to the prevailing market price on the day of the offering. The large dis-counts offered to UK underwriters and subunderwriters in exchange for their commitment to buy stock at a fixed price are un-

The difficulty in the BP issue is that the US underwriters have agreed to the British practice of agreed to the British practice of fixing prices in advance in a market where they could not pro-tect themselves against the risks this entailed. As a result, the four blue chip investment hous-es stand to lose about \$230m or \$550m between them, if they are forced to take up their allocation of 480m BP shares at 330 nence of 480m BP shares at 330 pence

ominously, booths on the ex-

As a result, brokers are now

The Government is consider-

ing proposals from Jardine Fleming and the Hongkong Bank for a clearing agency to be set up to sanitise transactions, but it is likely to be several days

The recovery of share prices

The biggest potential loser would be Goldman Sachs, the lead underwriter, which is be-lieved to have signed for roughly 30 per cent of the total US issue. The other three banks will split the rest of the shares about eventhe rest of the shares about even-ity. The possible losses of more than \$100m per firm may well be mitigated by hedging operations believed to have been attempted by each of the underwriters.

Although it owald have been illegal under SEC regulations for the underwriters to hedge by shorting stock in BP itself, they could have taken on short positions in other oil stocks as well as selling FTSE futures to protect themselves from the risks of a cellings in RP's share unice. cellapse in BP's share price.

Even if the hedging was inade-quate or unsuccessful, losses of about one quarter's average the order of \$100m would not earnings for each of the four raise questions about the solven-firms.

best-capitalised firms on Wall Morgan Stanley, the smallest of the four investment banks, has \$1bn of equity and subordinated capital and announced strong profits only last week, adding that it expected to remain profit-

able in the fourth quarter, despite the stock market crash. Salomon Brothers, the biggest firm on Wall Street, is capitalised at over \$3bn, even after the heavy losses it has announced in recent

According to Brenda McCoy, securities industry analysi at Paine Webber, net losses from the BP issue could amount to



The Hongkong Bank building towers over Mr Piers Jacobs, the territory's Financial Secretary, who announced at the weekend the rescue package to which the bank is a contributor.

It has been made clear that on the market yesterday provided a limited amount of comfort, as did the assurances of support the exchange, and to introduce from big institutions. But the to it a professional management most execuraging newsyester—that will bring it into line with

before such an arrangement day was Mr Robert Fell's ap-can be in place, and many bro-kers regarded the arrangement the exchange.

With a clear sigh of relief at the news of Mr Fell's appoint-

With a clear sigh of relief at the news of Mr Fell's appointment, one prominent broker probably spoke for many when he observed: There may be a lot of pain ahead, but at the end

Japan's financial community seems strong enough to take the strain, writes Stefan Wagstyl

lansed.

Why Tokyo market has proved the pundits wrong

as the market is not in complete chaos at that time. The Ministry of Finance con-firmed yesterday that it has no plans to cancel the issue, and UNTIL A FEW days ago, it was a widely-held belief in the West that the next world stock mar-ket crash was bound to start in officials said they remained upbeat about its prospects. A significant slice of the profits from go toward financing the Govern-

It has not turned out that way. The Tokyo market has fallen sharply, but most of the time it has followed Wall Street. Moreover, it has been foreign invesbeen the biggest sellers of Tokyo stocks. The Japanese institu-tions have mostly - although not entirely - sat on the sidelines waiting for the dust to settle.

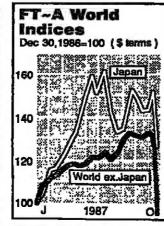
This is not to say that there was no truth in arguments that the Tokyo market was overvalued. Indeed, there are people who think it still is. However, it does seem that the impact of the In the meantime, underwritcrash on the Japanese financial community as a whole will not be as severe as was feared by at least some Western observers. While Wall Street abounds with rumours of impending large bankruptcies, Tokyo bankers continue to insist that a big Jap-anese default is extremely unlikely. In fact, their chief concern is the possible knock-on effect in Tokyo of a large failure

in the United States.

Japanese pre-crash share prices were not as grossly overvalued as they seemed. In aggregate terms the market was admittedly trading at more than 60 times earnings, compared with about 18 for London. But the Japanese figure is distorted for two reasons - first, because depreciation charges (deducted

index futures contracts.

Investors can, of course, borrow to buy shares. The Bank of Japan warned commercial banks last month about lending too much to investors, though its concern was less with the stock market than with the recent speculative surge in Tokyo land



Unlike the US, where securities companies have relatively Cash and deposit accounts - small balance sheets, the "big including post office accounts four Japanese securities houses - Nomura. Daiwa, Nikko and Yamaichi - are financially assets at the end of March this banks' capital strength. depreciation charges (deducted from profits) are more conservatively calculated than in the UK or the US; and, secondly, because about half the shares

per cent of the value of the mar-ket, down from 2 per cent three years ago. The securities companies

thus are well-insulated against ties.

default. Moreover, they often take fewer risks than their US counterparts because they do age an increasing proportion of less market-making - that is, pension funds, increased their age of the country solutions by nearly 50 per

US. This is largely the legacy of of financial strength.

Japan's late economic modernisation. Despite much-vaunted reduces these profits and thereinvestors are still covered by a web of restrictions which tend to channel savings towards. posit accounts and away from sure. Last year, when the Nikkei securities, especially equities.

Cash and deposit accounts -

the market seem to make Tokyo safer than New York. There is at a record Y6,300bn(\$44.3bn) are limited by Ministry of Finance rules to keeping at least little exposure in Tokyo itself to the volatility in prices brought the brokers' finances under low-risk instruments, chiefly about by programme trading of equities in tandem with stock ing balance is no more than 1.5 Most of them are comfortably index futures contracts. below this figure - at the end of last year life assurance compa-nies had just 17 per cent of their investments in Japanese equi-

> they do not ensure two-way equity holdings by nearly 50 per dealings in share, irrespective cent in the six months to September to Y15,300bn (much of the Japanese practice is for it the automatic result of the securities companies to match buyers and sellers as much as still left equities at just 11 per possible. As a result they take cent of their total assets of

possible. As a result they take relatively little stock on to their own books and do not need to borrow heavily to fund their positions.

The next point is that equities - over-valued or not - account for a much smaller proportion gains on stock prices in their of the investments of individuals and institutions than in the US. This is largely the legacy of financial strength.

index was below 20,000, the In-dustrial Bank of Japan concluded in a study that a one third

UK or the US; and, secondly, because about half the shares in the market are owned by other listed companies. As a result there was a large element of double-counting.

Moreover, the mechanics of the companies is large; at the special page. Securiues, which in the total, where it was in the spring - so only put the index back to bank, says: "It his situation gets where it was in the spring - so only put the index back to bank, says: "It his situation gets where it was in the spring - so only put the index back to bank, says: "It his situation gets where it was in the spring - so only put the index back to bank, says: "It his situation gets where it was in the spring - so only put the index back to bank, says: "It his situation gets where it was in the spring - so only put the index back to bank, says: "It his situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation gets where it was in the spring - so only put the index back to bush situation and it is in the pring in the back was in the spring - so only put the index back to bush shall put th

have been busy raising fresh equity in the past 12 months.

However, if banks look to be secure, the same cannot be said of every industrial company. Companies have been using both their own cash and bor-rowed money to invest financial instruments - in a practice called zaitech.

Some borrowed heavily -among them Tateho Chemical Industries, an Osaka chemicals company, which in August turn-ed to its bankers for a rescue after wiping out its net assets of Y16.5bn with financial market

While Wall Street abounds with rumours of impending large bankruptcies, Tokyo bankers continue to insist that a big Jananese default is very unlikely. Their chief concern is the knock-on effect of a large failure in the US. losses of Y28bn. Tateho's losses

larly volatile instrument. In-deed, most zostech investors favoured bonds over equities. Nevertheless, it is perfectly possible that one or more companies will have been caught out in equities. Mr Kazuaki Harada, chief economist at Sanwa Bank, says: "If this situation gets

were in bond futures, a particu-

since the middle of the year. A senior Bank of Japan official said yesterday: We have not yet heard any big cries for help." Behind the resources of cor-Behind the resources of corporate Japan are those of the Government. There is no suggestion that public funds might be used to prop up the stock market. But the Finance Ministry has already intervened in other ways on Black Tuesday it successfully urged the big four securities companies to start buying shares to activate a paralysed market. Yesterday, it called a meeting of big institutional investors in order to try to restore confidence.

Taken separately these moves

Taken separately these moves may not mean much. But taken together they are a constant reminder of the Government's in-fluence in the financial markets - with liberalisation in full swing, institutions know they need to keep on good terms with the Ministry to make sure rule changes go their way. None of this means that the Tokyo stock market cannot fall further. Japanese investors hopes that their market might somehow resist the psychologi-cal impact of Wall Street have

een dashed - although it is true that Tokyo is only 15 per cent off its peak, whereas New York is more than 30 per cent down.

Nor does the analysis imply that individual Japanese investors have not suffered big losses. They have. There have been reports of anguished of-fice workers trying fruitlessly to get their money out of closed-end funds (which cannot be re-deemed before a fixed expiry

However, the Japanese financial community as a whole seems to be strong and liquid enough to withstand the shocks of the last few days.

RENCH

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W German trade surplus shows strong increase

WEST GERMANY recorded one of its biggest trade surpluses last month, showing that many exporters have successfully adapted to the problems caused

adapted to the problems caused by a stronger D-Mark.

The surplus for September was DM 11.5bu (£3.8bu) the high-est for that month. It compared with DM 6.5bu in August and DM 10.4bu in September of last year. The record was last De-cember, with a DM 11.6bu sur-

Coming after the holiday period, September is seasonally a month of increased economic month of increased economic activity. Thus Government officials said the higher surplus was not totally surprising. Much of the increased surpluses probably reflected greater trade within Europe, with demand in France and the UK buoyant in the third quarter, said Mr Giles Keating, an economist with Credit Suisse First Boston in London.

Secretary, about German monetary and interest rate policy.

Yesterday, the Bundesbank months were down by 1.8 per months were down by 1.8 p

Even so, said Ms Ute Geipel, chief economist with Citibank AG in Frankfurt, The timing is very unfortunate, coming during the whole discussion about international cooperation, the reduction of surpluses, more growth in Germany and less expansion across the Atlantic". However, she and other economists did not expect a critical reaction from the US, bearing in mind the worldwide stock market collapse partly unleashed by the sharp comments of Mr James Baker, US Treasury

Secretary, about German mone-tary and interest rate policy. Yesterday, the Bundesbank moved to inject liquidity into

The increasing pressure on the D-Mark, likely to be exacer-bated by the existence of a conthrough high surplus, is expec-ted to cause new strains within the European Monetary System and bring renewed French demands for a realignment, they

"German exporters have learned to live with the recen dollar level," said Mr Mushtaq Shah, an economist with UK stockbrokers Phillips and Drew. "So the Bundesbank and Ger-man policy-makers will see a

man policy-makers will see a lower rate as a necessary evil."
Exports in the first nine months were down by 1.8 per cent at DM 334bn, but showed a 1 per cent gain in real terms, the Federal Statistics Office said.

FRANCE TO CONTINUE PRIVATISATION

Economic policies defended

7 (27)

Party relterated demands for an immediate halt to the privatisation programme and in particular for the abandonment of the Government's plans to denationalise the largest stateowned insurance group, Union des Assurances Parisiennes

claimed that the stock market crisis was an accident which had no justification in the French economic situation.

(UAP).

Until ten days ago, the main focus of the Socialists' criticisms of the privatisation programme was on narrow grounds of public morality, centred on the accusation that the Government had been using the allocations of institutional shareholdings as a way of favouring its, political friends in finance and industry.

In the past ten days, however, the Socialists have sought to broaden their attack by claim-

France recalls

Commissioner

clare a state of emergency, im-pose a dask to dawn curfew and call in French security forces to police the curfew.

Other reports however said: that Mr Angell's reassignment had been planned months ago

Nevertheless his departure, if confirmed, in the middle of the current turmoit would be

from Tahiti

THE FRENCH Government yesterday vigorously defended its undermines the ideological base conomic policy record and its determination to continue its, privatisation programme in spite of the international stock market crisis.

But the opposition Socialist Party reiterated demands for an immediate halt to the privatisation programme and in particular for the abandonment of the stock market crash due to the stock market crash due to decorate the independent in the stock market crash due to decorate the independent to question for the Government to question

Austrian Socialists open 30th congress in Vienna

By Our Foreign Statt-THE Socialist Party of Austria, backed by the slogan 'the party of the future,' opened its 30th congress in Vienna yesterday with a call by Mr Fred Sinowatz, the party chairman and former Chancellor of Austria, for a continuation of the party's traditions of tolerance and responsi-FRANCE'S High Commission FEANCE'S High Commission-er in Tahiti, Mr Pierre Angell, was reported last night to have been recalled to Paris follow-ing mounting criticism about his handling of this week's dis-turbances in the South Pacific island about Mr Jean Juventin, the Mayor of Papeete, complained that Paris did not inform him that Mr Angeli had decided to de-

bility towards society.
In his opening address, Mr Sinowatz said the Socialist Party nowatz sain the socialist rarry could co-exist ideologically with the Conservative People's Party, the junior partner in the socialist-led coalition govern-

But he warned that the party enument's cautious privatisamust not renege on its socialist tion programme.

But the loudest criticism is as "less state and more privatis-ation" would not, he said, sway the party from its old socialist democratic policies, which

the next two days reflect grow-ing concern about the future ideological direction

gy. Under Mr Franz Vranitzky, the Chancellor and a former banker, it is assuming a more

technocratic, moderate and modern profile.

Sections of the party sit uncomfortably, not only with the coalition but also with the Government's cautions privatisation programme.

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WEU defence policy 'platform' adopted

cal matters.

THE EUROPEAN defence policy "platform", formally adopted by the foreign and defence min-isters of the seven-nation Western European Union yesterday, has been hailed by member countries as a modest, but important step towards a more in-

tegrated Europe.
The preamble to the 'platform' on European Security Interests', the official title of the docthe Soviet Foreign Minister, called in Mr Jack Matlock, the yesterday, sparking specula-tion that Moseow could be ment, makes clear that the making 2 new proposal on a summit, Reuter reports from member states attach particular importance to its political ob-

> construction of an integrated Europe will remain incomplete as long as it does not include security and defence," the docu-ment states. "We see the revital-isation of WEU as an important

Reporting the Shevardnador initiative, the official Soviet news agency Tass said the two discussed 'matters of mutual The US embassy confirmed the meeting had taken place but could give no other details. contribution to the broader pro-cess of European unification." The fear that Washington might Even Sir Geoffrey Howe, the take exception to such an out-Analysis said there were some signs that Mr Shevard-nadze could offer a new proposal aimed at breaking the seeming impasse on setting a date for a new summit between Mr Mikhail Gorbachev, the Soviet leader and President Seaton

leader, and President meagan
of the US.
At talks in Moscow last
week, Mr Gorbachev told Mr
George Shultz, the US Secretary of State, that he could not
set a date for a summit, saying
he was concerned it would not

ne was concerned it would not produce the right results.

Mr Shevardnadze said later the Kremiln leader's reluc-tance to go to Washington at the present time was because there had been no movement towards an accord on cutting strategic weapons. But Soviet officials said ear-

leader, and President Reagan

Moscow

US envoy

IR EDUARD Shevardnadze,

for talks

calls in

lier yesterday they expected some initiative from the Kremlin to break out of the apparent impasse and make a summit possible, at least before full-scale campaigning for the US presidency begins next

Mr Shevardnadze is due to fly to Prague today for a two-day meeting of Warsaw Pact foreign ministers starting to-morrow, during which he will brief his allies on the results of his talks with Mr Shultz.

tribution in security and politi-

We are convinced that the

British Foreign Secretary, who described the platform as com-prising no more than "a set of key principles that will serve to guide the future development of the WEU," raised his cautious sights when he admitted that it recognised the need for Europe to make "its own distinctive con-

The document itself is slightly

more ambitious in its formula-tion when it states that the member countries intend to develop 'a more cohesive European defence identity. However, the member states - Britain, France, West Germany, Italy and the three Benelux countries - have been careful to place their efforts in the context of the alliance and their enduring partnership with the US. The fear that Washington might take arcention to such an out-

most in the ministers' minds. Thus, the document specifi-cially adopts the late President

John F. Kennedy's concept of an Atlantic Alliance standing on two pillars - one American and one European. It is our conviction that a more united Europe will make a stronger contribu-tion to the Alliance, to the benefit of Western security as a whole. This will enhance the European role in the alliance and ensure the basis for a balanced partnership across the Atlantic. We are resolved to strengthen the European pillar of the Alliance.

The hands of France and Britain can be detected in the drafting of such passages as To

spoken statement of European on an adequate mix of appropri aspirations was clearly upper- ate nuclear and conventional ment of which can confront a potential aggressor with an un-acceptable risk. The platform also specifically states that the independent forces of France and the UK contribute to over-

all defence and security.
Sir Geoffrey and Mr Jean Bernard Raimond, the French Foreign Minister, thus made sure that there was no hint in the document that Western Europe might ever be persuaded to accept denuclearisation.

In this context, it was particularly significant that the plat-form underlines the member countries' determination to en-sure that their obligation to defend other members "at their burders", should be demonstrated by means of 'appropri-ate arrangements'.

Turks begin privatisation move

TURKEY'S Government yesterday took the first big step in its four-year programme to privatise some of the country's state economic enterprises by order-ing that two public corporations be placed under the control of the Public Participations Fund. One is the Sumerbank, a corporation which makes and sells textiles, ceramics, clothing, and

There was some surprise here at the choice of the two for what will apparently be the first fully-fledged privatisation operation in Turkey. Both are large and unwieldy bodies and Petkim is believed by many bankers to be operating at a loss despite published figures showing a profit. shoes, and the other is Petkim, the national petrochemicals

TURKEY'S underground Comish Workers Party - a promunist Party, banned since Moscow Marxist party which re-1926, has announced that two of its top officials will be returnists - did not say when the two

future to set up a legal party.

An announcement by Mr Haydar Kutlu, secretary-general of to embarrass Mr Turgut Ozal, the Turkish Communist Party, the Prime Minister, who is behand Mr Nihat Sargin, lieved to be planning to lift secretary-general of the Turk-clauses in the Turkish Penal

ing to the country in the near would return from exile.

There was some surprise here ary body set up by the Ozal Gov-ernment to handle special proj-ects. Its deputy chairman is Mr Cengiz Israfil, a Turkish-American former banker whom the prime minister, Mr Turgut Ozal, has placed in charge of the privatisation programme.

> Code banning communist and Islamic theocratic political ac-tivity after the elections in or-

year to join the European Com-munity. Officials have been say-ing privately that this means that anti-Communist legislation will have to be repealed.

der the Public Participations Fund is the first step laid down

Exiled Communists to return to Turkey

The nominal value of the shares of Sumerbank handed to a profit.
Placing the corporations unthe Fund is TL 2bn (£1.25m) while Petkim's shares have a face value of TL 150bn.

would return from exite.

The move appears calculated

tivy after the elections in ornists - did not say when the two der to make Turkey eligible to sign the Treaty of Rome.

Turkey applied in April this year to join the European Com-

EC agrees grant to help poorer areas

By William Dawkins in Brussels

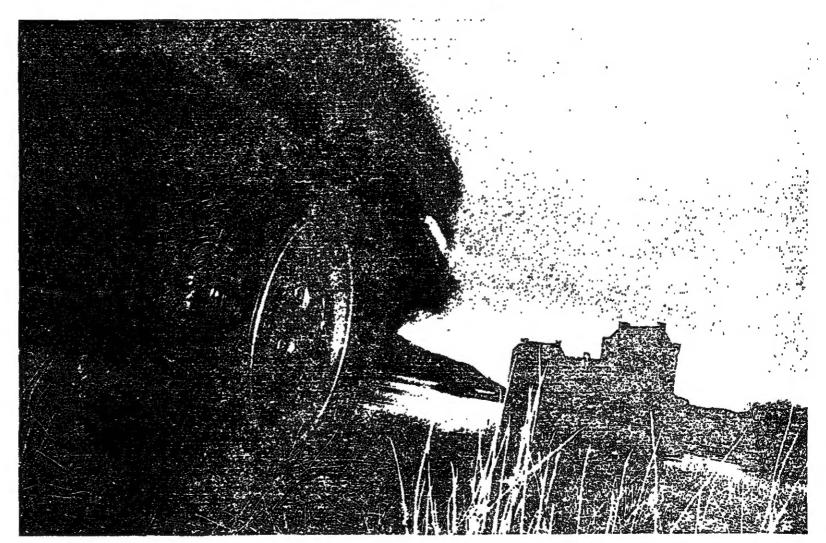
MOVES to bring improved telecommunications and cheaper energy in the EC's poorest areas are to receive Ecu 1.18bn (£814m) of help from Brussels over the next five years.

The projects, which will help Greece, Spain, Corsica, Ireland and Northern Ireland, Italy and Portugal, were formally adopted yesterday by the European Commission.

EC Governments sanctioned the spending, under the Ecu 778m Star telecommunications programme and the Ecu 398m

Valoren energy scheme, a year ago.
In a separate move, the European Commission yesterday al-so gave the go-ahead to Ecu 590m of ERDF grants to help industry and infrastructure projects in seven member states it was the fifth such allocation

In rugged Scotland, we give tyres more than just a spin



Scotland is one of those places that is best discovered at a leisurely pace. A drive around the rolling hills is an enchanting experience of breathtaking encounters. Lochs, castles and glens connected by twisting mountain roads.

It is in this inspiring country, in Grangemouth to be exact, where EniChem conducts some of its most innovative research into elastomers for the tyre industry. The challenge faced by our scientists was to come up with a safer and more reliable tyre. starting with the elastomer, the raw material. Using readily available monomers with novel catalyst systems, EniChem was able to obtain polymers with the right combination of properties, such as rolling resistance and wet grip.

The EniChem elastomer developed in Scotland is a breakthrough in tyre technology. It provides 15% more wet grip without any loss in rolling resistance. In other words, a smoother and safer ride with less fuel consumption.

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Quentin Peel on the huge task of solving the Community's cash crisis

The EC's superhuman agenda

chronic capacity for pushing its of the most fervent and Commu-deadlines to the limit and be-nity-minded of countries. youd is about to be tested once again. Less than six weeks rehave won the argument, but main before the EC summit they refuse to recognise it, said meeting in Copenhagen, where one Danish diplomat. That is solving every major issue in the cash crisis which has dogged them for the past decade

them for the past decade.
It is a superhuman agenda, It means above all finding some litary of wanting an increase in way of bringing the soaring funds, but they don't want to pay Common Agricultural Policy their part of any increase in fin(CAP) spending under control, so it does not swamp every oth-

er EC policy.
It means thrashing out agreement on how much new money should be provided by national treasuries to Brussels, to pay for the new policies - research and development, social and re-gional spending - to which the 12 have committed themselves. Finally, it means attempting

once again to agree on a more equitable system for assessing those payments, and sharing out the available cash, to solve for good the bitter issue of Britain's demand for a budget rebate. All the old headlines are be-Ing trotted out again: EC Budget Crisis, Britain Isolated, and Mrs Thatcher Reads the Riot Act. Yet many of the traditional alliances are suddenly being called into question, and few people

seem to have realised. For a start, the British are no longer anything like as isolated as they used to be. Last week's meetings of Foreign and Farm growing alliance between the UK and the European Commission, occasionally backed by France.

The member state in danger of being most cut off on many

try any more," a Commission of-ficial says. They trot out the old

Many of the traditional alliances are being called

into question, and few people seem to have realised. The British are no longer as isolated as they used to be. Last week's meetings of foreign and farm ministers saw an extraordinary, growing

alliance between the UK and the European Commission, occasionally backed by France

France and West Germany, that clear figures be agreed, whose cosy deals on the eve of and precise ways of stopping EC summits have usually settled the outcome, are increasingly at loggerheads over the get it all, but if the Farm Minis-CAP. France is prepared to risk ters are forced into some sort of the gamble of reform, convinced that French farmers are outside chance of getting part of the many there.

The present plan is to back

tectionist to the end.

Given that melting-pot of diplomatic disturbances, and the er of budget discipline - by setting precise spending control spending. The British want it rules for every farm product in kept below the rate of growth of a few washs many in Brussels.

a few weeks, many in Brussels gross national product in the are throwing their hands in the EC. are throwing their hands in the air. Copenhagen is a hopeless deadline, they say: the only chance of a deal will be at Hancher under the German presidence, under the German presidence next June.

Defenders of the CAP want provisions for "exceptional circumstances," be they currency changes (the dollar's decline causes huge increases in farm

Others with longer memories export subsidy costs) or par worse. If they don't do a drought The British are strongfear worse. "If they don't do a deal in December, I don't think there will be any solution until ly opposed. The Commission would set aside a specific monethere will be any solution until would see aside a special tary reserve for currency costs. The Commission's top negotiative where the UK and the Commission are remarkably in time. the Commission's top negotia-tors. They will simply take

is on giving the Commission much stronger management powers to control costs week by Budget discipline will be the key. The Farm Ministers have been told they must attempt to week. Almost all the rest are agree on specific stabilisers petrified at such loss of power for every product. That means a to Brussels, but the British see system to cut off automatic it as the only way to give spendprice support when any crop exing controls real teeth.

ceeds a fixed ceiling.

Mrs Thatcher has demanded The second crucial area to be decided is the new system of financing, and the level of na-

financing, and the level of national contributions.

The Commission has proposed a switch from the present system, based on value added tax, to one linked to gross national product. Treasuries would still contribute a proportion based on VAT, as well as customs duties and levies as at present, but they would then pay a "fourth resource" reflecting GNP.

pay a four reflecting GNP. The result would marginally reduce the UK contribution, be-cause high British consumption, and low savings, mean the VAT-based take is dispropor-

onately high. All except Italy and Denmark have now accepted some switch towards a GNP system, although the proportion from the VAT base, as against the GNP base, still has to be negotiated.

In all of that, nobody has yet dared broach the question of the British budget rebate. The Commission is still supposed to be producing detailed recom-mendations on how the present system of (very roughly) a two-thirds reduction of the British net contribution might be adapted to a new system.

Fiji to devalue for third time since June

By John Madeley in Suva

FIJI IS preparing to devalue its currency for the third time ths. With foreign reserves falling and the econoexpect an announcement of a further 10 per cent devaluation of the Fiji dollar later this

by 17.75 per cent in late June and by a further 15 per cent in September. While no official figures of foreign reserves have recently been published, they are believed to be now only about half the May level of

The military Government has accused businessmen and foreign corporations of illegally taking money out of the country. On Friday Col Sitiveni Babuka, who toppled the South Pacific Island archipelago's democratic government with two coups this year, is-

with two coups this year, is-sned a decree severely restrict-ing the export of capital. The Government estimates suggest that the economy will decline by between 11 per cent and 16 per cent in the next 12 mentic and is planning to see months and is planning to cut public expenditure by 30 per cent during that period. The Fiji economy depends on two main sources of foreign

currency - tourism and sugar. Tourism has been devastated since the first coup on May 14 and the sugar crop, mainly owned by the Indian popula-tion which Col Rabuka is try-ing to keep out of political con-trel, is well down due to a prolonged boycott of the har-vest earlier this year, Only 18 per cent of next year's sugar crop has so far been planted.

Conflict threatens special Sri Lanka aid conference

A SPECIAL meeting of Sri Lan-ka's aid donors will be can-celled unless there is peace on the island, Mr Ronnie de Mel, the Finance Minister, warned yesterday.

Sri Lanks is seeking extra aid worth about \$400m for the re-construction of the war-ravaged north and east, plus \$60m to \$70m in loans for industrial development projects. Funds are also needed for the giant Ma-haweli River irrigation-cum-

power project.

Donors had been looking at the aid requirements favourably after the peace accord signed between India and Sri Lanka in July to end four years of ethnic strife on the island. or einnic strie on the island.
But the collapse of the peace
treaty and the recent bitter
fighting between Indian soldiers and Tamil Tiger guerrillas means the special donors
meeting scheduled for December 4 is now in doubt.

Me de Mol said it could not

Mr de Mel said it could not take place without peace after meeting Mr Attila Karaosman-oglu, vice president (Asia) of the World Bank, who is visiting Col-

ombo for a week.

Sri Lanka's aid consortium has already pledged \$600m of aid, agreed at its annual meeting in Paris in June. The World Bank has been backing Sri Lanka's efforts to get an extra \$400m to help rebuild the country and its accomplant to the try and its economy but now re-cognises there is no chance of extra cash while peace remains

so elusive.

The figure was assessed by a World Bank team which spent three weeks in Sri Lanka in August examining the damage done by four years of war in which the minority Tamils were fighting for the establishment of an independent homeland or so elusive.

Mr Rajiv Gandhi, the Indian Prime Minister, last night said that the "doors were open" for the Tamil Tigers to "come back into the mainstream of politics if they surrendered their weapons and accepted the indo-Sri Lankan accord on the Tamils' ethnic and regional claims, John Eliiott reports from New Delhi W. Gendhi from New Delbi. Mr Gandhi said: "If they do that, the door is open. Any time they accept these they can come back. But they have not yet done so."

eastern provinces. The July ac-cord gives the Tamils a semi-autonomous region in a merged north and eastern province but the extremist Tigers have been fighting on for full indepen-

"Eelam" in the northern and

Of the extra \$400m which than education, it would support a three-year reconstruction and recovery pro-

gramme the World Bank world provide \$75m, the Asian Decel-opment Bank \$40m to \$50m and Sri Lanka's aid donors the bab

The total cost of the war to the

Sri Lankan economy has been estimated at \$1.60n.
The World Bank is also considering a request from Mr de-sidering a request from Mr de-Mel for \$60m to \$70m in loans to-support small and medium scale industrial development, projects with high employment

The Government is seriously worried about youth unrest among the majority Sinhalese population which has erupted in both the north and south of the island. The youth revent has strong economic reasons, and we cannot afford to repeat in the south the mistakes we tasde in the north with the Taxati youth, Mr de Mel said.

Unemployment has risen from 12 per cent two years ago to 17 per cent now. More than Im new voters, many uses ployed, have not had a chance to participate in elections since 1977 when the last full general election was held. Elections scheduled in 1983 were in-placed by a referendum when President Junius Jayawardens changed the constitution in a way which many regard as hav-ing contributed significantly to

the present troubles.

Mr de Mel hopes 500,000 new jobs can be created over two years if the World Bank extends credits of up to \$35m and the ADS up to \$30m. The new budget to be presented on November 17 will show a 10 per cent cut in defence expenditure al-though this will still cost more than education, health, public-administration and local gov-

Soviet grain harvest to top 200m tonnes

said yesterday. Mr Agenbegyan told a press conference that heavy rain over the last month in the grain growing areas of Kazakhstan and in the east of the country had dashed hopes of the harvest exceeding the 237m tonnes yielded in 1978.

Even so, if Mr Agenbegyan's prediction is confirmed, it will be the first time that Soviet grain production has topped 200m tonnes two years running. Mr Gorbachev has said that in a Mrs Zaslavskaya promised that good year the harvest should they would not lead to any fall reach 250m tonnes and in a bad in standards of living year 200m. Mr Agenbegyan and Mrs Zas-

New Issue October 28, 1987

cord as originally expected. Mr
Abel Agenbegyan, senior economic adviser to Mr Mikhail
Gorbachev, the Soviet leader,

Mr Agenbegyan also went out
of his way to deny that there
would be any increase in retail
or wholesale prices next year as
Gorbachev, the Soviet leader,
was rumoured in Moseow. He said price changes for fuel, en-ergy and raw materials would be introduced in 1989 and the and state Committee on Prices was 1991. in the early stages of considering retail price changes in main danger to perestroika (restructuring) is public apathy and

Both Mr Agenbegyan and Mrs Tatyana Zasiavskaya, the Soviet change. Some 60 per cent of So-Union's best known sociologist viet enterprises will shift to and also a senior government wholesale trade and self fluanc-adviser, said no increase in ing from January 1, but Mr prices would be introduced Agenbegyan said ministries without full public discussion, still seek to control their

The Government is looking lavskays, who were on the radinating apathy towards perestor a breakthrough in agriculture in the short term in order to 1965, now play central roles lower ranks of the party. Mr Gritos satisfy consumers who will in economic and social reform. Sory Pelman, a sociologist who have to wait longer to benefit they were anxious yesterday to heads the Club for Social Initia-

construction and health services is scheduled to rise sharp-

number of apartments being built each year had risen from 2m in 1985 to 2.2 million in 1987 and would rise further to 3m in

tructuring) is public apathy and failure to fulfill expectations of

day-to-day activities.

Other Soviet sociologists agree with Mrs Zaslavskaya about the danger of underesti-

THE SOVIET grain harvest this year will be close to the 1986 figure of 210m tonnes but not a record as originally expected. Mr Agenbegyan also went out of his way to deny that there underline that reform would not hit living standards.

Underline that reform would tives, one of the discussion not hit living standards.

Capital investment in housing construction and health services one of the discussion not hit living standards.

It is unrealistic to see Soviet society divided for or against per-

> This is because very little restructuring has as yet taken place. By the middle of 1988 we will be able to determine who is for or against perestroika be-cause the law of state enterprise comes into force from Jan-uary 1, Mr Pelman says.

> which the economy is organised will touch off conflicts between different social groups and in-At the moment nobody knews

who will be the winners or los-ers from perestroiks. The intelligentsia strongly supports Mr Gorbachev, but elsewhere his reforms have had limited im-pact. Mr Pelman says: The question is not of people being opposed to perestroika, but of workers and peasants being passive observers."

This advertisement appears

Korean constitution vote

EARLY RETURNS in South Korea's referendum yesterday showed overwhelming accep-tance of the new democratic

August.
Voter turnout was estimated at about 80 per cent and more than 90 per cent approved the new constitution in areas declaring their returns, mainly in

Voting rules appeared to have been strictly observed, result-ing in a minor difficulty for Mr Kim Dae Jung, the opposition leader. Arriving at the voting booth without his identity card, he was forced to have it fetched before being allowed to register

Mr Kim is to announce his candidacy for president at a news conference today, his aides said, confirming the split with his colleague Mr Kim constitution negotiated by ruling and opposition parties in
Young Sam, president of the Reunification Democratic Party.

opens the way for the far more important presidential election due in December. The candidacy of Mr Rim Dae Jung, who has been running unofficially since his civil rights were restored in July, marks a new stage in the campaign. For the last two months the two kims have been unable to agree on who should stand down to allow one candidate to represent the opposi-

US frees Philippine aid

schedule during a meeting with President Corazon Aquino.
The US, which is the Philippines' largest aid donor, has now given the Aquino administration \$450m since it came to

MR MICHAEL ARMACOST, US
Undersecretary of State, yesterday released \$75m of grant aid
to the Philippines ahead of
schedule during a meeting with
President Corazon Aquino.

The lease a recurring criticism in Manila that the US Administration repeatedly volcated. ministration repeatedly voice its support for Mrs Aquino with

out backing it with cash.
It may also serve as a resuleder to leaders of the failed coupwho have still not been arrested
and who are threstening to try use still not been except and who are threatening to try again to topple the Government that the US measurement that the Again Administration. During the height of the support and will augment the coup. US embassy officials telestory in the support and will augment the coup. US embassy officials telestory in the support and will augment the coup. US embassy officials telestory in the support and will augment the coup. US embassy officials telestory in the support of the support of

Tokyo belittles crash impact on spending

THE PLUNGE in Japanese equities is expected to have no great impact on personal spending, Japan's Economic Planning Agency said yester-

The EPA struck a decidedly eptimistic tone in its monthly report yesterday. The Govern-ment agency noted that equi-ties account for a relatively small percentage of individu-al's financial assets in Japan ars insucan assets in Japan as compared to the US. As a re-sult, a crash in share prices is not expected to affect the Japa-ness economy in any signifi-

Mr Tetsuo Kondo, the EPA director-general told his fel-low Cabinet members that the Ispanese economy remains on a steady recovery track thanks to sustained growth in domes-tic demand and industrial out-

Indeed, industrial produc-tion figures, released by the Ministry of International Trade and Industry yesterday, showed a 4.7 per cent increase in September over the same month last year, Japan's pro-duction trend turned around in July and is expected to re-main on an apward trend for

"months to came", according to

At the same time, the EPA reported that the employment picture has been improving, with a moderate increase in the numbers of workers em-ployed recorded. It also stated that Japan's leading business indicator reflected an apward

indicator reflected an apwaru
trend in August.
The diffusion index, which
gives current and future economic trends, stood well ever
90 per cent in August. This
was the eighth menth in a row
that the index was over the 50

ing economic recovery. The EPA has been targeting GNP growth for the current fiscal year at 3.5 per cent, despite the harsh effects of the yen's ap-preciation on the country's ex-marters.

Optimistic expectations for growth in domestic consumption were further boosted yesterday by a report from Japan's Chain Stores Association. The association reported a 6.4 per cent increased in sales in September over a year earlier. This advance was the largest recorded since July 1981.

Catherine Bond outlines Rwanda's prospects and problems

Coffee tumbles, population soars

IN TERMS of political stability, rapid economic development and aid money wisely spent, the tiny central African state of Rwanda is one of the continent's rare success

MINIFOP, MINITRAPE AND MIN- month.

In 1959 Belgium's colonial Government and Roman Catholic missionaries backed a social revolution which brought Rwanda's majority Htn people to power, ending 400 years of feudal rule by the minority Tutsi. The absence of a formal opposition to President Juvenal Habyarimana - a popular figure who took power in 1973 and himself a Hutu - is partly explained by the mass exodus of Tutsis during the period of change.

Mrs Esperance Mutwe, the director of propaganda for Rwanda's only political party - the National Revolutionary Movement for Development (MRND) - believes that her Government has "succeeded totally" in eliminating ethnic tension between the two. A system of ethnic foreign reserves cover four to six discrimination allots Tutsis a promonths' imports. While urging a 29

stories.

At independence in 1962 the Rwandan capital of Kigali consisted of five brick houses. Today it is a where the Tutsi retain traditional modern, sprawling city - much of it privileges through state repression still under construction - where and where a new Tutsi President, government ministries possess Major Pierre Buyoya, came to of-francophone acronyms such as fice through a military coup last

Some Western diplomats believe Rwanda is developing into a model African-style democracy. Twelve of its 15 government ministers are also elected members of parliament. Most, however, come from Mr Habyarimane's home area in the mountainous north of the country, and only one is Tutsi.

The ruling party closely monitors public feeling through "animation" meetings or political rallies, and it will not tolerate what government officials call "unconstructive" press

The World Bank attributes what it calls Rwanda's "remarkable economic performance" to its prudent, conservative Government, Annual inflation is less than 1 per cent, and

for the country as a regional bank-

Many expatriate businessmen disagree. In their opinion, Rwanda's relative prosperity has been seriously jeopardised by this year's virtual collapse in commodity prices for its two main exports, cofice and tea. Tea factories have stopped paying local smallholders for tea grown on drained swamps, which fetches top prices at London

cences even for priority imports are now harder to come by and that corruption is a growing problem in government and commercial cir-

Rwanda's annual foreign earnings, mostly from coffee, rarely exceed \$150m, and almost a third of average yearly coffee exports of 30,000 contrary, his Government thinks to 40,000 tonnes are smuggled in from Burundi, Uganda and Zaire. Low coffee prices are likely to make Rwanda more reliant than ever on international aid, totalling around \$200m a year.

ticipate in compulsory community labour or "umuganda" at least once a week, which has helped the success of vital reafforestation and tarracing projects. Rwanda's biggest problem is overpopulation. With 8.5m citizens, it is the most densely populated

country in Africa, and experts pre-

dict that the population will rise to over 10 by the turn of the century. Government campaigns to popularise contraception have faced resistance from the influential Catholic Church, however, and Mrs. Gaudence Nyirasafali, head of the population office, says that only 2 per cent of Rwandan women use them.

Acute land pressure is one reason-why Mr Habyarimana's Govern-ment has dismissed calls by Tutsi exiles for mass repatriation; on the

But negotiations so far with Tan-zania and Zaire – countries willing to take Rwandan immigrants: According to a senior Belgian di-have resulted in deadlock, and land plomat in Kigali, there are no signs disputes are today the third nost common cause of murder.

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By Lionel Berber in Washington ORDERS for durable goods in the US rose 1.1 per cent in September, continuing an almost unbroken upward swing since the start of the year, the Commerce Department reported yesterday.

Manufacturers' written orders for durable goods - items expected to last three years or more - increased by \$1.2bn to \$107.8bn.

shore—intreased by \$1.200 to \$107.8bn.

The sector is closely watched for signals about the health of manufacturing. The upward trend began in January this year—apart from a 2.4 per cent drop in August.

The September rise means that the new orders for durable goods are up 6.4 per cent over the first nine months of 1986. Shipments were up 3 per cent to \$107.3bn, a healthy performance which appears to reflect improving export sales by US manufacturers.

Defence capital goods orders declined \$400m, or 4.5 per cent, to \$9.1bn. Since March, defence goods have been relatively stable, averaging around \$9.9bn a month.

Peru's Inti devalued by 20%

PERU has devalued its curren

renu has devalued its curren-rey by 20 per cent, cutting the of-ficial exchange rate from 20 In-tis to 16 Intis to the dollar. The decision is despite a promise by President Alan Gar-cia not to devalue before the end of the year.

e aid

end of the year.

Mr Cesar Ferrari, the central bank's general manager, said the devaluation was made "to avoid speculation".

The official exchange rate is used for imports of basic foods and medicines and as a base over which rates for exporters and importers are calculated.

President Garcia also has named Mr Pedro Coronado Labo, the cabinet secretary, as president of the central bank.

Mr Coronado replaces Mr Leo-

man rights leader in El Sava-dor, raising further obstacles to a Central American peace plan due to take effect next week, Rester reports from San Salva-

der.

Herber Ernesto Anaya, 23, president of El Salvador's independent Human Rights Commission, was gunned down in the street. The commission blamed government officials for

Canute James on how economic growth is bringing its own problems

Jamaica buoyancy a cause of worry

MR EDWARD Seaga, Jamaica's Prime Minister and Pinance Minister, repeatedly argued that the economic austreity measures which he implemented between 1981 and 1985 would eventually lead to a stronger more vibrant economy. By all indications, Mr Seaga's faith in efforts to bring about structural adjustment of the island's fragile economy have borne the fruit he expected - to such an extent that the level of buoyancy which the economy is displaying threatens to embarrass the Government.

According to the central



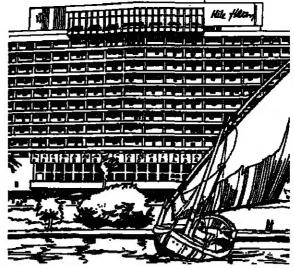
lost in the state sector, real wages fell and prices increased as the parity of the local currenty fell. Social services, mainly health and education, were adversely affected by the budget cutbacks.

At the same time, Mr Manley has worked hard at burnishing his political image at home and abroad, arguing with apparent effectiveness that many foreign and domestic policies of his ad-ministration in the 1970s, inministration in the 1970s, including close ties with neighbouring Cuba, were on reflection poorly or too enthusiastically implemented.

Many visits to the US by Mr Manley have resulted in an acceptance in the corridors of influence in Washington that he is not a closet Communist and does not represent a threat to

which the economy is displaying threatens to embarrass the Government.

According to the central bank, the island's economy is growing at an annusitised rate of 35 per cent, after expanding by 35 per cent and an accordance revival may be come too late to save half for each of the central bank had forecast economic growth this proposition. Social Democrat below that the commy which is now in the best shape for the past 16 years. The Government is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measures to ensure that the growth rate is considering fiscal measure



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Canada's MPs back

Only two provincial legisla-tures - Quebec and Saskatchewan - have so far given the nec-essary endorsement. However, several provinces plan hearings soon and approval is expected in most cases before next sum-

constitution change

One potential fly in the consti-

NOTICE OF REDEMPTION

CANON INC. (Canon Kabushiki Kaisha) 64% Convertible Debentures Due December 31, 1994

President Garcia also has named Mr Pedro Coronado Labo, the cabinet secretary, as president of the central bank. Mr Coronado replaces Mr Leonel Figueros, who resigned in June.

The new central bank president will take control as Peru's net reserves have dropped to about \$450m, the lowest level since 1980. This year's overall reserve loss is expected to reach \$600m.

El Salvador killing

GUNMEN have shot dead a human rights leader in El Salvador, raising further obstacles to a Central American peace plan

endorsed unchanged by the Commons and all ten premiers by June 1990.

Only two provincial legisla
Control of Rights and Precionals and Precional and Precional

ate, the Canadian Upper Chamber, is currently holding hearings on the subject, many of them in the country's frozen north. These are expected to continue until next summer.



NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 4.01 of the Indenture dated as of August 15, 1979 between Canon Inc. (Canon Kabushiki Kaisha) [the "Company"] and Morgan Guaranty Trust Company of New York, as Trustee. [the "Indenture"], all of the above-mentioned Debentures outstanding under the said Indenture have been called for redemption on November 27, 1987 (the "Redemption Date") at the redemption price of 102.5% of the principal amount thereof (the "Redemption Price").

The Debentures shall become due and payable on the Redemption Date at the Redemption Price, plus accrued interest to the date fixed for redemption in the amount of \$1,052.56 per \$1,000 priocipal amount. Payment will be made on and after the Redemption Date upon presentation and surrender of (1) registered Debentures and (2) coupon Debentures together with all coupons appertaining thereto maturing after the Redemption Date at the offices of the Paying Agents specified below. From the Redemption Date all interest on the Debentures shall cease to accrue. The right to convert the Debentures into Common Stock of the Company will terminate at the close of business on November 24, 1987, the second Business Day, as defined in the Indenture, immediately preceding the Redemption Date. Debentures to be converted should be surrendered in accordance with Section 3.02(a) of the Indenture at the offices of the Conversion Agents specified below on or before November 24, 1987. The Debentures are currently convertible into Common Stock of the Company at a price of yeu 399.90 per share.

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British company to be China agent

By lan Hamilton Fazey

LANCASHIRE Enterprises (LEL), the industrial development company set up by Lancashire County Council six years ago, is to act as a European agent for China's Ghangdong Province under new trada linky Province under new trade links

now being set up.
The links include a development company to encourage more joint ventures between European businesses and Guan-dong - which contains the Shenzhen special economic zone near the border with Hong Kong

near the border with Hong Kong
- and an import-export company
to generate the foreign exchange that will enable the Chinese to pay for them.
A delegation from Guandong,
led by Di Chang Yun, secretarygeneral of the Provincial
People's Government, has been
touring the English North-West
this week and goes on to Strathclyde for more trade talks to-

day.
Apart from talks with LEL, the tour has taken in Leyland Bus, Crown Eyeglass, a Blackburn manufacturer of spectacles, and NIS, a Chorley-based engineering systems specialist which works extensively in the musical industry.

which works extensively in the nuclear industry.

All have been helped by LEL, particularly in financing buyouts by their managements.

LEL owns 40 per cent of NIS as a result and is at present negotiating its equity stake in Leyland Bus, following support for its management buyout. its management buy-out.

LEL - which has cross-party support - was originally funded by Lancashire County Concil.

Its investments in local businesses and industrial property have yielded steady profits to enable its funds to be ploughed into more industrial develop-

ment.
Mr Jim Mason, LEL's chairman, led a fact-finding Lancashire delegation to Guandong
and Shenzhen in September to
investigate possibilities.

But what was expected to be a tentative feeling towards trade links went much further, with agreement to form the two com-panies and a request by the Chinese that LEL act for it in the European Community on developing trade and inward invest-ment into Guandong. The Chinese products would

include silk, carpets, porcelain and similar up-market goods that would generate foreign ex-

change. This in turn would be used to

An ailing enterprise breaks the sacred self-management principle in order to survive. Judy Dempsey reports | Turkey to

Yugoslavia's giant plant steels itself for turnround

IF there is one enterprise in Yugoelsvia today which refuses to give up, sell off the furnaces and close the gates, it is the Me-talurski Kombinst Smederevo (MKS) of the Republic of Serbia. This gigantic steel works, on the banks of the River Danube about 40km east of Belgrade, is struggling to survive under new management with the help of Davy McKee of Sheffield.

The political and economic climate is of little help. Yugos-lavia owes more than \$20bn to Western banks. MKS itself ac-counts for half of Serbia's \$3bn foreign debts. At one stage in the 1970s, the hard-pressed Ser-bian taxpayer had to contribute to the construction of the steel

Davy McKee was the main foreign investor who helped con-struct the works, install up-to-date equipment and pro-vide technical assistance. Now, the company around.

The task is mammoth. When

The task is mammoth. When eigh banks, Yugoslav enter-plans were drawn up in the ear-prises and Yugoslav banks was ly 1960s to expand the original slow to materialise. Over the

steel plant, founded in 1813, the political and economic atmo-sphere in Yugoslavia was more than favourable. The individual republics were keen on expand-ing their own industrial bases; especially in the heavy industry sector, and money seemed available to support these enterprises, some of which turned out to be white elephants.

out to be white elephants.

Mr Zivomir Milutinovic, a member of the temporary board in MKS, is quick to refute charges that the plant at Smederevo is a white elephant. Not only does the Republic of Serbia need us, but the Yugoslave conomy needs us, he says, arguing that MKS can increase productivity and fulfil its contracts to suppliers.

The plant was supposed to

The plant was supposed to have been producing 1.2m tons of steel a year to meet the bulk tract the works, install of special a year to meet the full the full that the production of the country's annual steel productions to restructure the loss-making company in September, Davy McKee is looking at ways to turn the company around.

The financial backing, from fortists of the country's annual steel production.

Endless delays in construction postponed full production. The financial backing, from fortists was annually and the country's annual steel production.

The financial backing, from fortists was mannually was anterested.

than \$20bn to Western banks. MKS accounts for half Serbia's \$3bn foreign debts. In the 1970s, Serbian taxpayers contributed to its construction

The economic climate

Yugoslavia owes more

is of little help.

past 25 years, construction costs pass 20 years, consumenon costs alone have amounted to \$2.5bn. A devastating fire last year which destroyed cranes, blast farnaces and roofs did little for morale. Losses for 1986 totalled dinars 12bn (\$4.7m). This year's losses will amount to dinars 15bn. although the recovered to the left of the losses will amount to dinars 15bn. although the recovered to the left of the le 15on, although it is rumoured that for the first six months of this year, MKS has recorded

In spite of the gloomy picture the temporary board and Davy McKee are cantiously optimis-tic.

The temporary board has full powers to bypess the self-management principle, still ideologically sacrosanct among most Yugoslav politicians, under which it is almost impossible to dismiss any part of the workforce or radically introduce changes. The new board can suspend self-management, cut the workforce, reorganise the structure of the plant and push through its recommendations.

through its recommendations.

Mr Milutinovic admits the

the running costs, which will amount to dinars 277bn for next year, are about 10 per cent above what he calls "world nor-mative standards." He also says the 11,000 strong work force should be reduced by about 20 per cent. His policy is to im-

The plant was supposed to produce 1.2m tons of steel a year to meet the bulk of ... the country's annual steel requirements of

2m tons, but it never has. Total annual steel production is running at 500,000 tons. backed by the UK Exports Credit Guarantee Department.
The Sheffield company deliv-

per cent. His policy is to improve productivity, try to reach an annual capacity of 14m tonnes by 1960 and get the new production lines rolling. This is where Davy McKee's involvement Davy McKee's involvement first began in 1972. Against stiff competition, they wan a contract to supply \$230m worth of concluded. In the meantime, Davy McKee has extended an concluded in the meantime, Davy McKee has extended an end recommissioning the cold mill semi-inished products which was damaged during the production. The contract was

y McKee, was signed in 1978 but the company has since re-duced its involvement to \$41.75m Under the terms of the contract, Davy McKee will sup-ply milling equipment nutil

MKS's poor results have not dampened Davy McKee's com-mitment to MKS completely. The presence of the temporary board-gives them some hope. "We don't expect MKS to make profits, but it should be able to improve quality and quantity, a spokesman for Davy McKee

It is encouraging for them that MKS repaid their loans on time to Davy McKee. At a time when Yugoslavia's national bank was saking for a moratorium on its foreign debts in June, MKS repaid the \$5m due to Davy McKee and \$16m has already been repaid as part of the joint venture agreement.

Repaying the loans perhaps adicates MKS's determination to hold onto its British partner. It also indicates MKS's determination to survive at a time when the cost of survival might seem. to MKS's many critics, to out weigh the cost of credibility.

invite bids for health sector plan

By David Barchard in Antons TURKEY is to invite international consultancy firms to sub-

tional consultancy firms to submit bids to prepare a Health Sector Rehabilitation Master Plan for the country.

The government passed legislation last May aimed at upgrading the country's health services, generally spreed to be the property in European.

poorest in Europe.
The plan will sim at a long-term strategy to eliminate inequalities in health status and access to basic services and design a Health Development Project

Project.

The successful bidder would be expected to work with a local consultancy company in drawing up the plan.

It is understood the plan will be expected to cover both preventive and curative medicine and that it will look at environmental problems and other renental problems and other related issues.

The Masterplan appears to be part of the grand strategy of Mr Turgut Ozal, the Prime Minister, for reshaping Turkey's major institutions. The Ministry of Health is understood to be less than entirely happy with the idea of a health strategy not prepared under its auspices.

It stready has a pilot health development project under way in nine of the country's 67 prov-

Infant mortality and life ex-Infant mortality and line expectancy figures in Turkey lag well behind those of the rest of Europe, despite a relatively high number of doctors per thousand of the population. Well-to-do Turks gamerally try to have major surgery perform ed outside the country.

Turkey's State Airports Authority, DHMI, is to invite fresh bids for a project to equip the country's civilian sirfleids with radar equipment.

The contract was originally tendered in November 1965 and

was awarded last July to Thom-son-CSF of France at a price of DM 83.5m. However, it was can-celled without explanation by the Turkish government two days before the signing was due. Turkish anger at French atti-tudes towards Kurdish and Armenian extremists was cited as a possible reason for cancella-

tion. The bidders in the new contest are expected to remain the same as in the original bidding They will be Thomson-CSF (France), Selenia (Italy) and the Hughes Aircraft Company.

Pratt and Whitney may sue Israel over Lavi

BY ANDREW WHITLEY IN JERUSALEM

aero engine manufacturer, la considering taking legal action against the Israeli Government over the cancellation of the Lavi combat aircrat, in a move which could open the flood-gates to a deluge of similar claims.

Local press reports put the Pratt and Whitney claim at \$300m, a figure presumably based on the estimated termination costs for the PW1120 en-gine being being developed to power the controversial Israeli ircraft. But the US company, a division of United Technolo-gies, may be prepared to forgo part of its claim in return for future business with Israel. According to industry execu-ives, Pratt and Whitney intends

to submit its formal claim to the

Defence Ministry for 'justifiable

termination costs' within the next few weeks. Attached to the bill will be a list of new pro-posed areas of co-operation.

In total, 11 PW1120s turbo-fan engines, producing a thrust of 20,620 lbs, were delivered to Lavi's main contractor, state-

PRATT AND WHITNEY, the US tries, prior to the Government's aero engine manufacturer, is reluctant decialon, under US considering taking legal action pressure, last August to cancel

Other major US serospace companies affected include Grumman, makers of the wings and tail section, and Lear Siegler, responsible for some of the British involvement was through Martin Baker, which was to provide the ejector seat for the 300 aircraft originally planned for the Israeli Air

Force.
In discussions this summer with Israeli officials, the Reagan Administration is understood to have given informal assurances that it would cover some or all of the cancellation costs, if the deeply divided coalition government voted in factors of scranning.

altion government voted in fa-vour of scrapping.

Defence Ministry officials are expected to fly to the US in the coming days in a bid to head off Pratt and Whitney suits, which they fear could seriously com-plicate Israel's efforts to develop work-creating alternatives to the Lavi, to limit the fall-out from the cancellation decision. da explained. owned Israel Aircraft Indus-

Lauda wins battle for **Bangkok flights**

By Judy Dempeey in Vienna MR NIKI LAUDA, Austria's for mer Grand Prix racing driver, who now runs Lauda Air, his own airline, has won his long battle to fly scheduled flights to Bangkok, Hong Kong and Aus-

tralia.

After 18 months of negotia atter is months of negotia-tions with the Austrian authori-ties, Mr Rudolf Streicher, the minister for the nationalised in-dustries and transport, finally gave Mr Lauda permission to fly new scheduled routes.

Beginning in April 1988, Lauda Air will open a scheduled return route Vienna-Bangkok-Sydney, and later a second route to Hong. Eong via Hang-bak

Anstrian bureaneracy and the monopoly held by the state-run Austrian Airlines, fought hard for the parmission. regulation ever comes in Europe, it will put a lot of pressure on the charter operators. That's one of the reasons why I

UK seeks bigger share of Chilean mining market MR ALAN CLARKE, the British ited the UK outlining the poten

Trade Minister, today begins a tial six-day visit to Chile as part of The an offensive to gain a bigger visit an offensive to gain a bigger share of the Chilean mining industry market, worth an annual \$1.5bn.

He will also be discussing plans by various British compe-nies in the defence field includnies in the celence held includ-ing a British Aerospace bid to win an order from the Chilesn Navy for Sea Wolf missiles. This is the first trip by a British Trade Minister to Latin Ameri-ca in pearly three years.

British exports to Chile were up 79 per cent in the first six months of the year to £81m, only £7m less than the figure for the whole of 1986. This trend is in line with a traditional imbal-

the with a traditional imparance: annual purchases from Chile total £128m.

The large mining sector, which covers the state-run copper mines, multi-national copper ventures, coal, gold and nitrates has been freditional. trates, has been traditionally serviced by the US, with the UK supplying under 5 per cent. Last year a mission from Codelco, the state copper concern, vis-

This in part led to the current visit by Mr Clarke. More impor-tant, the minister's visit will be followed in two weeks time by a 32-man trade mission under the aegis of Latag (the Latin American Trade Advisory Group).

Codelco alone is investing \$400m annually and is spending a further \$300m on ongoing equipment needs. The other at-traction for British exporters is it Guarantee Department) is of-fering medium-term cover un-der its DX facility for countries promoting economic recovery.

Despite formal disapproval by the British Government over the continued human rights abuses by the military government of Gen Augusto Pinochet, ties remain close, and the coun-

try's economic performance has attracted favourable comment. The rise in British trade with Chile (partly reflecting the pur-chase of a second-kand warship from the Royal Navy) under-scores the modest recovery un-der way in most Latin American erican cept international supervision

Saudis 'want to buy two reactors'

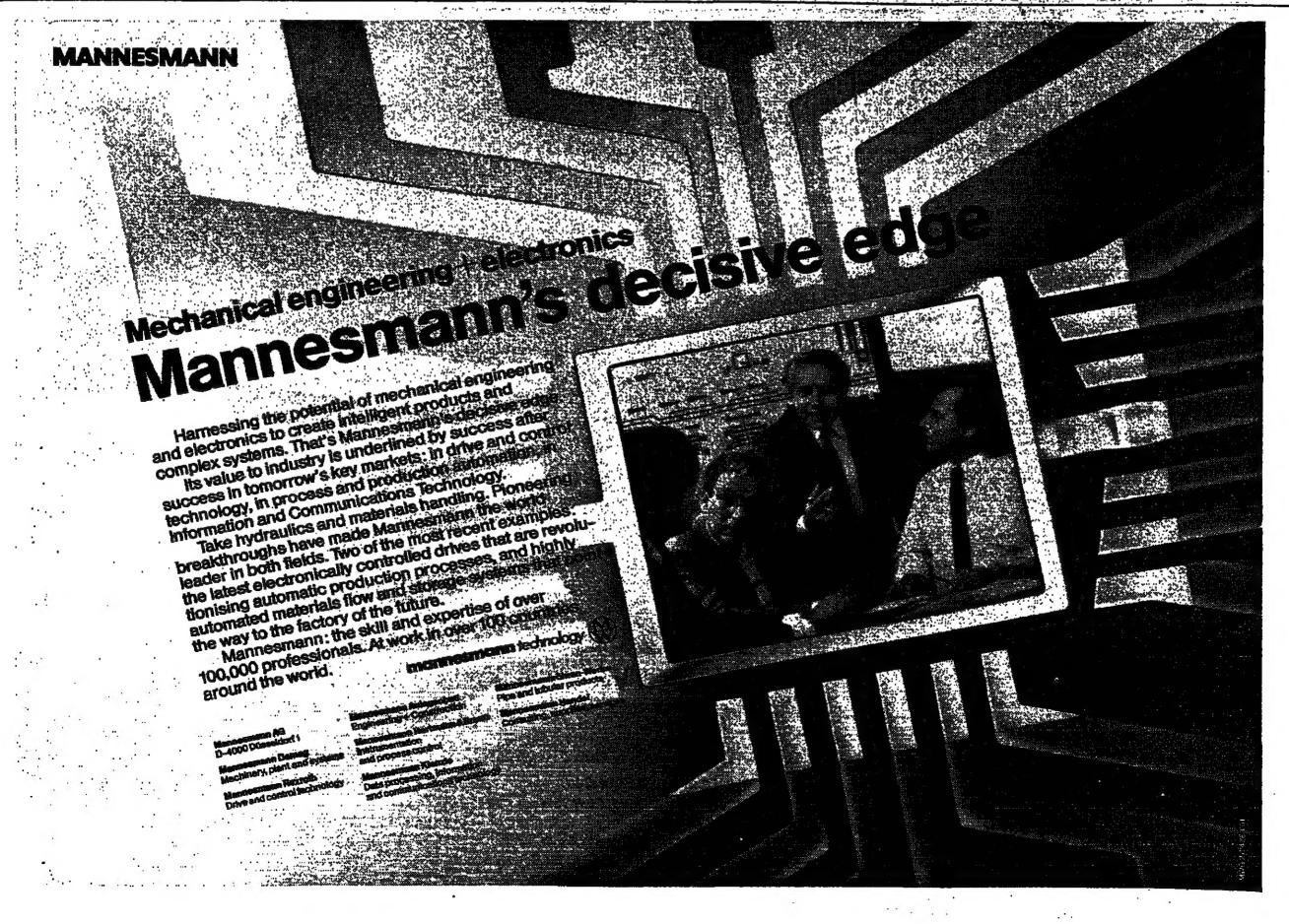
SAUDI ARABIA is trying to obsaulii anabla is trying to obtain two small nuclear reactors from a West Germany company to be used in the kingdom's stomic research centre, the company said. AP reports.

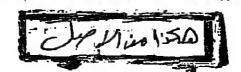
Interatom had been discussing the sale with Sandi officials.

for a long time," it added. "But there have not been specific contract negotiations so far." An eventual sale would have to be approved by the West Ger-

A 10-megawatt reactor would be used for nuclear physics re-search and production of iso-topes used in medicine. The other reactor, described as a mini-reactor, would be used for instructing students. Interatom is based in Bensberg, near Cologue, and is a wholly-owned subsidiary of Siemons, West Germany's largest

lectronics concern.
The Economics Ministry said West German and Saudi offi-cials have been in contact over the possible sale of the reactor: for several months.





e bids



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P&O European Ferries

Software becomes a priority as ICL tailors its products

Sound niches are the UK group's target before trade barriers come down, David Thomas reports

IT WAS BROUGHT home to Pe ter Bonfield, the forceful chairman of ICL. Britain's largest computer company, just how big a job he had in selling the virtues of going European when he was having a drink with one of his senior managers a couple of

years ago.

"Why are you always going on about Europe? If we are strong in the UK and reasonable in the US, surely that is all we need?" is Bonfield's memory of his

manager's puzzlement.
For Bonfield, communicating the correct answers to those questions is crucial to securing ICL's future in the next decade. By then, the home base we will have to protect will be Europe, not the UK. Bonfield says.

Bonfield backs up this confident assertion by pointing to the European Commission's programme of creating a common internal market by 1982. But even if, as many observers believe, 1982 is too tight a deadline for such as many internal. line for such an ambitious pro-gramme, Bonfield still argues the virtues of focussing his company on that date.

ICL believes that other fac-

tors, such as the move towards more open standards, the pressures on its customers to Europeanise their operations, the liberalisation of telecommunications across Europe and the gradual reduction of nationalistic influences on public purchasing, are pushing in the same direction. We are using 1992 as a catalyst. If we don't change by then we will be in worse trouble," Bonfield argues.

So Bonfield wrote to all ICL managers in August specifically canvassing their views. I want swiftly to explore how we could speed up the process of Euro-peanisation and in so doing translate our success in the UK market to success in the total European market," the internal document says.

For ICL, thinking European has so far meant action on two distinct, but inter-related lev-

build up its presence on, and sales to, the Continent, where it is still barely known in many key markets. While sales to European Community countries rocketed 34 per cent last year, that still left them accounting only 14 per cent of ICL's

ket, whenever it finally arrives. It has set up a committee of people with experience in the ways of Brussels to help it prepare for the great date.

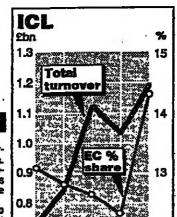
ICL's immediate goal is to transfer the strategy which it has forged for the UK onto the Continent. That strategy revolves around two poles: focusing ICL on certain niches, such as retail or manufacturing, in the process abandoning the pretension of being able to com-pete across the board with the giants of the industry, such as IBM; and shifting the emphasis: away from hardware to ser-

Jean-Claud Albrecht, head of ICL in France, which the com-pany considers to be one of its most promising markets, is aiming to open up almost one niche

a year. Two years ago, Albrecht concentrated on videotex, which is bighly developed in France; he now claims 8 per cent of the French market Last year, he turned to retail: Albrecht says contracts for check-out equip-ment from some of the giants of the French hypermarket scene, such as Euromarche and Carrefour, have given ICL 20 per cent of the market this year, which he hopes to turn into 30 per cent

brecht, who joined the company four years ago with a back-ground in the French public sector and high tech private

Carrying out this niche strategy has involved ICL in coming to terms with subtle tensions be-tween centralisation and local autonomy. On the one hand, the particular niches reflect group priorities: retail, for example, the UK. This allows managers on the Continent to draw on the OICL is also actively planning group's marketing and develop-



On the other hand, the trend is towards more local products. Reflecting the shift in emphasis from hardware to services, computer companies are spending more time ensuring that prod-ucts meet the specific needs of ucts meet the specific needs of individual customers. "Our retail products have to be redesigned for the French. Almost every country has something special about the way it does business," according to Tomo Razmilovic, who heads ICL's international operations.

To support this niche strate.

1982 83 84 85 86

To support this niche strate-gy, ICL has opened two development centres on the Continent one in Paris for network systems, the other in Dusseldori to support its push into the West German computer-integrated manufacturing market. The development centres are

he hopes to turn into 30 per cent next year.

Next year ICL France will this year) but ICL regards them move into another niche, financial services, according to Alther both to bolster the development of the Paris one will have about 25 workers by the end of this year) but ICL regards them as a group resource: they are there both to bolster the development of the paris one will have about 25 workers by the end of this year) but ICL regards them opment work of the national organisation and to feed ideas back into ICL headquarters. It has also had to set out on the recruitment trail, attracting to its national businesses peo-

velopment and in the niches it has targeted. This has required some blood-letting among exist-ing staff, which would have been necessary in any case be-cause many of ICL's Continental operations were losing money. Thus, turnover at ICL France will be FFr750m (£75m) this year with 660 staff, compared with less than FFr700m three years ago with 850 staff, accord-ing to Albrecht.

The company also replaced many of its German workers a couple of years ago because it was dissatisfied with their performance and because it felt its products were not right for the flercely competitive West Ger-

man market.
Bonfield admits that ICL considered pulling out of West Ger-many altogether at that time, but decided it would be a counsel of despair to abandon such a large slice of the European mar-ket. Its manufacturing develop-ment centre and an acquisition of a small German software house specialising in manufac-turing were part of its new focus in Germany, but the company still does not believe it is as well placed there as in France.

The next stage in ICL's localisation will probably be to set up one or two small production centres on the Continent, a move it is actively considering, to take account of both the greater customer content in greater customer content in products and the political pres-sures to show commitment to a market However, Bonfield, who argues that "the idea of manufacturing is changing," cautions against reading too much significance into such a move; in computing, much of the value added is in software development, not in assembly or metal-bashing. Bonfield has also reorganised

the company's structure in or-der to provide a greater focus on its international operations. In the past, the national businesses all reported straight to him. In theory, this meant that ICL France had the same weight as ICL UK. In practice, however, Bonfield inevitably paid much more attention to the demands of the UK business.

Bonfield was keen to evolve a structure which pulled off the twin trick of giving the interna-tional businesses greater clout at headquarters while at the same time recognising the au-tonomy they needed to operate.

To beef up the international side's standing he created an international operating division alongside ICL's UK division. This is headed by Tomo Razmilovic, who came to ICL after a came to ICL after a content of the c ter a career with US computer companies. To signal their relative autonomy, the national businesses now report to Raz-



Peter Bonfield: "We are using 1992 as a catalyst"

This structural reorganisa-tion is just one example of Bon-field's attempt to get his UK staff to think more in European terms. Another has been to build Continental goals into managers' incentives; the bo-nuses of some of ICL's market-ing staff on the retail side this year depend on them signing up at least three new Continental year depend on them signing up at least three new Continental accounts. This goes hand-in-hand with senior management in the UK spending more time

on European matters.

The European focus is also the subject of a training programme for ICL's top 150-200 managers being prepared by the London Business School. The programme, to be run next year by Gary Hamel, who lec-tures in business policy, builds on a similar exercise carried out by ICL when it was reshap-

ing its entire group strategy.

Hamel will base the course around three or four detailed case studies of how companies from the US and Japan have successfully built up a European presence. He sees his job as the European : Commission's talking through the problems of programme of creating a commarket entry, particularly barmon internal market. Two years riers like British high tech comago, ICL set up a European advisor.

riers like British high tech companies' reputation for being interested in the Continent only things European The panel is made up partly of insiders such as Bonfield and partly of outsiders such as Bonfield and partly of outsiders such as Sir Michael Buller, between the spin-offs of its joint research centre with Bull of France and Siemens of West Germany, established in Munich in 1983, will be a greater companies like ICL need to preunderstanding of and higher profile on the Continent. The gence of a pan-Kuropean advisory panel to advise it on all things European advisory panel to advise it on all things European The panel is made up partly of outsiders such as Sir Michael Buller, Sir Michael believes that companies like ICL need to preunderstanding of and higher profile on the Continent The gence of a pan-Kuropean advisory panel to advise it on all things European The panel is made up partly of outsiders such as Sir Michael Butler, Sir Michael Butler, Sir Michael believes that companies like ICL need to preunderstanding of and higher partly of insiders such as Sir Michael Butler, such as Sir Michael Bu

milovic, not Bonfield - "All of ly of interest to ICL because it cause the Americans and the Tomo's guys operate with a fair helps to spread its development. Japanese, particularly of course amount of freedom," Bonfield costs.

amount of freedom," Bonfield says.

This structural reorganisation is just one example of Bonfield's attempt to get his UK staff to think more in European explains: "We are heavily interment, drawing on Sir Miteral Continental goals into managers' incentives; the bonuses of some of ICL's market little perception of what was into metal staff on the retail side this

British universities - but we had little perception of what was happening on the Continent. Anything you do outside the UK helps establish you are not an insular company. Watson says that ICL is now discussing with Bull and Siemens the possibility of collaborating in the commercial exploitation of some of the fruits of the Munich centre.

Generally, however, Bonfield

to dan insular company."

Watson says that ICL is now discussing with Bull and Siemens the possibility of collaborating in the commercial exploitation of some of the fruits of the Munich centre.

Generally, however, Bonfield to five Munich centre.

Generally, however, Bonfield to less open than the European, believes there is little mileage to in collaboration between direct in collaboration between direct. European competitors on competitive, projects. There is still a lot of reluctance within companies about letting competitive, projects. There is still a lot of reluctance within companies about letting competitive, projects. There is still that the heads of ICL, Bull, Siemens, Nixdorf of West Germany, Olivetti of Italy and Philips of the Netherlands put their signatures to a manifesto making these points in London last year.

In the last malysis, however, in the last malysis, however, in the last malysis, however, it is not by its participation.

Germany, established in Munich in 1983, will be a greater companies like ICL need to preunderstanding of and higher pare carefully for the emerprofile on the Continent. The gence of a pan-European mancentre, which has 50 researchters studying artificial intelligence problems at the frontiers
of computing research, is mainchallenge - but also a threat, be
General to no transparench gus.

It's a question of ensuring that
the first call on resources when those resources
are scarce.

Previous criticis in this series
of computing research, is main-

Europe moves towards fewer in-ternal barriers.

ICL wants open standards to ensure that competition is fair, a goal which could be helped by European governments medifi-

year.
In the last shalysis, however, ICL's success in Europe will be determined not by its participation in such high level strampts at policy formulation, but by whether it has devised a commercial strategy suited to key markets and by whether ICL keeps its nerve if the going gets tough.

As the LBS's Gary Hamel puts it 'in the end it's really a ques-

it in the end it's really a ques-tion of top management guts.
It's a question of ensuring that
UK sales organisations don't al-

Management abstracts

Design to win. J. Pilditch in Jour-nal of the Royal Society of Arts (UK), Mar 87 (13 pages)

The chairman of the NEDO design working party expands its principal conclusion that there are significant differ-ences between the way most ences between the way most companies develop new products and the way the winning companies do. identifies ways in which the majority go wrong, eg by over-emphasising low cost, by taking too long on the development process, by failing to study competitors' products, by undervalning quality, lack of team work.

team work Management's impact on first-line supervisor effectiveness. T L Housen in SAM Advanced Man-agement Journal (US), Winter 87 (15 pages)

Argues that the less than sat-isfactory performance of first-line supervisors stems from the actions of management rather than from supervisors' deficien-cies, distinguishes between di-rect and indirect management rect and interest management actions - direct including selec-tion and the provision of infor-mation; indirect being, for ex-ample, honesty and

The elder eye at work J Voke in The Safety Practitioner (UK), Apr \$7(2 pages)

Examines the need for stronger workplace illumination (while not ignoring the problem of glare) to accommodate the needs of the older worker (specific terms). ifying over 40 as the age where vision starts losing its acuity). Recommends medical screening to detect the onset of glauco-

Merger matic: what marketers need to knew. A Urbanski in Sales and Marketing Management (US), Feb 87 (4 pages)
Examines the fate of marketing people in companies during takeovers; advises on not panicking but on discovering the nature of the takeover be it from a financial or marketing angle; advises on keeping communication lines open with the sales force and with customers.

Occupational crime vectorities Occupational crime prevention.

A Beardsworth in Security Gazette (UK), Mar 87 (3 pages)
Notes the increasing degree of occupational crime, eg fraud at the workplace; presents such a framework, which classifies occupational crime because of contractional crime because of the contractional crime because of the contractional crime because of the contractional crime because on the contraction of cupational crime, based on cri-teria such as the level of supervisory control; looks at psychological aspects which lead often high-status individuals to indulge in fraud; explores the monitoring and control of occupational crime.

These abstracts are condinated from the abstracting journals published by Anber Management Publishes by Anber Management Publishes the Anber Management Published at a cost of £4 each (including VAT and p+p; cash with order) from Anber, PO Box 23, Wembiery HAS BOJ.

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Furthermore, DYNACTION has acquired on October 20, 1967, 80% of capital of METANIC, a French company listed on the Paris Bourge. METANIC is the leading French firm in its speciality of electrothermal engineering. 1987 consolidated sales should reach FF 115 million with set earlings of FF 12.5 million, METANIC's set cash balance of approximately FF 65 million with be used to

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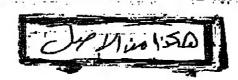
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Tenders are invited for the urgent sup-ply of 8500 tonnes of soft wheat to Ethopia for delivery on FOS terms to an EEC Port. Loading shall commence no earlier than 27th November 1987 and no later than 11th December 1987 for 15

days.

The price for the supply and transportation costs of the soft wheat for the above tender will be determined on examination of the tenders which must be submitted by mon on 12th November 1987 for—Intervention Board for Agriculture Produce, Fountain House, 2 Queens Wall Reading, Berls, RG1 7QW. Tel.: Readin (0734) 583626 Ext 2367/2520.

Notices of imitation to tender togeth tender tende



HE COMPUTER systems at the heart of the London Stock Exchange's price information services are shortly to be given a big boost in power, virtually their first since Big Bang a year ago.

Over the next few weeks the three Digital Equipment VAX 8600 computers that drive Seaq, the Stock Exchange automated quotations service, will be replaced with VAX 8800s which are roughly twice as powerful.

The new computers are expected to be fully operational early next Spring, and the eight Modcomp computers which run the Topic viewdata price distribution service will be replaced one at a time by new 32-bit machines that should give dramatically improved performance.

proved performance.

Meanwhile, the computer software underlying the Seaq and
Topic sarvices is undergoing
continuous revision, modification and fine tuning. It has enabled the systems to handle far
heavier loads than would have
been possible a year ago. Before Big Bang, Topic was handling 2m price enquiries a day.
The week after, volume doubled
to 4m price enquiries. to 4m price enquiries.

In the days leading up to last week's unexpectedly violent market turbulence, Topic was handling successfully 8m price enquiries a day. And all of this using essentially the same computers with which the Stock Exchange went into Big Bang.

change went into Big Bang.

There has already been a drastic revision of Seaq software in preparation for the Exchange's automated small order execution system, Saeft, now scheduled to be launched towards the end of 1988. By the end of December, for example, it should be possible for market makers to indicate they are prepared to deal in packages of up to Im shares. At present they are limited to indicating "L' on the screen, signifying a willingness to deal in sizes of 190,000.

Other modifications should ness to deal in sizes of 160,000.
Other modifications should help to eliminate delays in the performance of Topic. In the middle of the summer, for example, the time taken for Topic to respond to an enquiry reached 10 times the target of five seconds, when the Exchange attached too many Topic terminals to the system.
The past twelve months has

The past tweive months has confirmed that the markets of tomorrow will be electronic. At a press conference earlier this week in which Stock Exchange week in which stock exchange authorities assessed progress in the year following Big Bang. George Hayter, head of informa-tion and settlement systems, emphasised that information technology was the essence of the new markets,

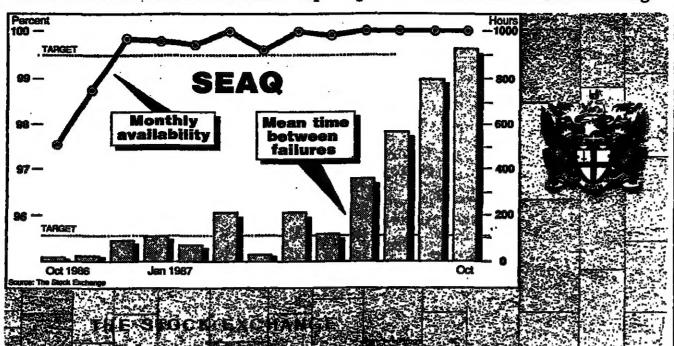
the new markets,
"Information technology," he
said, "was to the Stock Exchange
what aircraft are to British Airways." And while Exchange
technologists press on with
measures to get the most out of
the existing system, Hayter and
his colleagues are developing
concepts for a new system
which will link all market participants and functions.

Just as every aspect of the The-tory of the future" will be tied together by computers to give computer integrated manufac-turing, so the Exchange has a vi-ation of computer integrated trading, where everything from the initial order to final settle-ment is managed and controlled automatically.

Big-hearted visions of integrated trading



Alan Cane examines moves to boost computer power within the London Stock Exchange



The grand design is still in preparation. What Hayter calls a systems architecture, or blueprint, is not libely to emerge before late 1988. But it should bring new efficiency and economy to the market. He points out: "It will mean that our

Information technology is to the Exchange what aircraft are to British Airways

customers will have a single communications interface. They will not have to have a multiplicity of links with differ-ent computer systems, nor will they have to keep re-entering the same information, making mistakes as they do so.

Designing and building Seen

perience where progress was continually disrupted by events like the growth of the interna-tional shares market in London and the Exchange's need to re-spond to it. There is every sign that the Exchange has no inten-tion of falling into the speed tran again.

trap again.

Taurus, for example, the electronic settlement system, will not be ready before 1868, despite pressure to find a solution to the present settlements problem. Nor will there be the same rather high-handed insistance during the Seaq development phase that the centre would set the standards and everybody else adhere to them: "We did that because we were in a rush and we had no alternative," Hayter explains, somewhat defensively.

Now there is a committement to

Now there is a committee understanding the needs of the customers. The essence of de-signing a computer integrated marketplace, for example, is de-ciding how best to connect togoner use various different computer systems - DEC, Mod-comp, IBM, ITL and so on. Logi-cally, the choice should be a set of rules called Open Systems In-terconnection, supported by the UK Government and by most computer manufacturers. But

Building Seaq was a hurried nightmare. There is no intention of falling into another speed trap

there is a case for using IBM's proprietary and competitive connection rules, SNA. Hayter says: "The case is based on the number of our customers who have large IBM systems. Unlike a regular corporation when it sits down to plan its networking strategy, we do not have control over the strakers and market makers.

puters that are attached this network. We have to do what is convenient for our customers. We cannot stand in the middle and say 'We are the Stock Exchange and you will adhere to OSI standards.'

"We are looking at ways in which we can support both types of communications archi-tecture on the same common backbone network."

backbone network."

The year since Big Bang has failed to dim Hayter's vision of London as the centre of a web of information networks taking in stock market price information and distributing it widely. "That remains a real possibility. It is on the burner - not the back burner. It would be possible to distribute not just our own market information but prices from other markets as well

US searches for the perfect bus driver

A FEASIBILITY study carried est at the Les Alamos National Laboratory in the US has shown that a city bus powered by faci cells could be built usny met cells could be built us-ing existing technology. The US Departments of Transporta-tion and Energy are therefore developing a programme to build a bus using a hybrid pow-er system with faci cells and conventional electric batter-

The fuel cell is a type of electrochemical generator that of-fers a good power-to-weight ra-tio and produces electricity from a controlled chemical re-

from a controlled chemical re-action of hydrogen and oxygen.
The cells are more efficient than internal combustion en-gines, are quieter and cooler in operation and need less main-tenance. They also do not emit pollutants. Hydrogen and oxy-gen are put in, electricity and water come out.

The planned city bus will use exygen from the atmo-

The planned city bus will use oxygen from the atmosphere and hydrogen derived from methanol (methyl alcohol), an abundant industrial fluid that is easily stored.

Peak power demands of the vehicle will, however, have to be met by ordinary batteries until the fael cell is further developed.

until the fuel cell is further developed.

The laboratory also admits that the initial cost of fuel cells is high, which is why they have so far been used mainly in the space programme. Their cast will have to be reduced by at least 50 per cent for them to be competitive with diesel engines, says the less Alames study.

Philips extends band three network

PHILIPS TELECOM can now offer 'hand three' mobile communications services in London and plans to extend coverage to the rest of the UK. Band three uses the old 45MHz telectricism. vision frequencies, the 405-line service having been dis-

continued.

The company can set up a mobile radio service for a group of users using a technique called trunking, which automatically shares the available speech channels between the users.

the users. Likely users will be fleet eyerators ranging from coach companies to petrol distribu-tors. A town, country or several regions of the country can be covered, with eventual linking of widely separated operation-al areas of the same user

group.

A user has a private channel to a base station, but only for the period for which he needs it. When he is finished, the

of 198 channels, which are allocated by computer. Should all the channels be in

use, a prospective user joins a queue and waits, usually only for a few seconds, until a chan-nel becomes free and is allo-

German bugs eat into waste problem

IN GERMANY, Siemens KWU, in conjunction with the Julich Nuclear Research Centre, has installed a plant at Luchow deright at phant at Latenow de-signed to treat the waste water from a factory where some 1400 tons of potatoes are pro-cess daily into starch.

The plant uses bacteria, that do not require oxygen for growth, to digest the waste. The sludge that would normalbe stage that would normally be discharged into sewers is reduced by 80 per cent.

Another important advantage, however, is that flammable gas is generated which has been 180 per per central flammables.

about 30 per cent of the calorif-le value of natural gas. This 'biogas' can be used locally in place of natural gas, thus cut-ting energy costs.

WORTH

Edited by Geoffrey Charlish Taking the acid out

> **EUMPEREYS & GLASGOW of** London and Nykomb of Stock-bolm, both with strong inter-ests in the energy field, are collaborating to market a new process for coal-fired power stations. They say this process can "dramatically reduce" the release of acid gases.

of coal-fired power

The gases can cause acid rain and are generally be-lieved to damage trees and other plant life.

The process, called CPG (Clean Power Generation), pages a nevel concent for the uses a novel concept for the production of clean gas from coal, and is applicable to any

drinks dispense. fluid control special engineering, refined and wrought metals.

IMI pic, Birmingham, England.

and steam turbine system which drives electrical gener-

Sulphur-based acid gas and nitrogen oxide levels will be as low as those from the combustion of natural gas. And coalfired stations fitted with the clean-up system will register emmission levels equivalent to only 10 per cent of those from conventional coal-fired power

Motorola centres on celiular research

MOTOROLA, THE US electronics group, is to set up a UK-based cellular radio re-search and development centre for Europe.

The initial thrust of the new

centre will be directed towards basic and applied research for the forthcoming Pan-European digital cellular radio systems. These will use a common stan-dard of mobile radio through-

GE shows its

true colours WHAT IS claimed to be the world's largest bigh resolution liquid crystal display (LCD) has been designed and built at the US General Electric corpo-rate research and development laboratories, Schenectady,

New York. The lightweight flat panel measures 6.25 x 6.25 inches and is a full colour LCD display designed to meet military specifications.

It can be programmed to show engine performance, atti-tude, radar images and video information in military aireraft. The panel is under three luches thick, whereas the equivalent conventional television tube would be 14 inches

sion tube would be 14 incues deep.

LCD displays are normally black and white, as in the widely worn wrist watches incorporating the technology. But GE uses voltage driven red, groen and blue filters in the LCD unit to achieve full colour displays.

CONTACTS: Los Alamos National Laboratory: U.S. (505) 667 7000. Philips Telecom: U.S. (522) 681222. Stemens KWU: Germany, 68 807 3016. Hamphreys & Glasgow: Locators: E38 1234. Motorola: U.S. (528 770878.



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Mitsubishi can claim on shipbuilding guarantee ments of the price became due, obtain the necessary permits. policy enunciated in cases like amounting to Y4,000m. The buy. The shipbuilding contract was Alexander. On the contrary, in therefore illegal as being subcontended that it had varied developed based on definition of English public policy.

ALAFONZOS Queen's Bench Division (Commercial Court): Mr Justice Steyn: October 15 1987

PUBLIC POLICY may or may not require the courts to refuse to enforce a contract designed to deceive a third party, depending on the particular facts of the case; and the court will not set aside proceedings served abroad intended to deceive governmen-tal authorities, if the plaintiff has evidence, though perhaps unconvincing, that the contract was not illegal.

Mr Justice Steyn so held when refusing an application by Mr Aristidis I. Alafonzos to set aside service of a writ on him out of the jurisdiction by Mitsubishi Corporation.

HIS LORDSHIP said that by a shipbuilding contract dated November 1 1984, Mitsubishi agreed to build a bulk carrier and to sell and deliver it to a Greek company owned by Mr Alafonzos, a Greek citizen. The price was Y4,000m payable in stages from signing of the agreement to delivery of the vessel.

English law was expressed to be the law of the contract and disputes were to be settled by London arbitration.

Contemporaneously with exe-cution of the contract Mr Alafonzos signed a performance guarantee in favour of Mitsubishi. The guarantee contained no choice of law clause, nor arbi-

In March 1986 and August 1986 the second and third instal-

fences based on deficiencies in the vessel and Mitsubishi's fail-tine to comply with its obligation or it was worthless because the

Mitsubishi claimed the instalments from Mr Alafonage as hie.
gnarantor. He refused to pay.

In January 1987, an application was made to Mr Justice ter of fundamental public polisting by the proceedings outside the jurisdiction, under Order 11 of the Rules of the Supreme Court.

The authorities supported that proposition. Thus in Alex-

closed that though the stated contract price was Y4,000m, a side agreement was signed whereby the actual price was Y3,690m.

It was stated that the reason It was stated that the reason for the side agreement was to deceive the Japanese governmental authorities, who had guidelines of prices at which vessels should be exported. The guideline was around ¥4.000m and at such a price it would be easy for approval for construction and export of a vessel to be obtained.

The judge granted leave, and the writ was issued and served. In it, Mitsubishi claimed in ex-cess of Y4,000m against Mr Alacess of Y4,000m against Mr Ala-fonzos. On March 12, Mr Alafon-zos issued the present summons to set aside service of the pro-ceedings out of the jurisdiction. The first issue on the sum-mons was whether Mitsubishi had a good arguable case against Mr Alafonzos on the merits.

His case was that the ship-building contract, when read with the sale agreement, miswith the sale agreement, mis-stated the price. It was drafted to mislead the Japanese author-

obligations under the main transaction were undiforces

ander v Rajson [1936] i KB 166 a landlord's claim for rent failed in the Court of Appeal because he had persuaded the tenant to he had persuaded the tenant to agree to sign two documents, intending to produce only one to the local anthority in order to secure a low rateable value. The landlord sued on both documents. His claim was defeated on a defence of exturpicases non oritir actio [no action arises from an illegitimate cause].

But on this head of public poli-cy the court was required to proceed with grost eaution, on the particular facts of the case. That emerged clearly in Sonsa-ders v Edstords [1987] 2 All ER 651, which concerned the very different issue of drafting a con-tract in such a way as to avoid stamp duty by dishonest means. There the plea of turps cause failed.

In that case, dicts of Lord Jus-tice Kerr, at page 660, and of Lord Justice Nicholls, at page 664, showed that public policy was not an inflexible instru-

ment.
In referring to those dicts it was not suggested that the

an age in which contrary, in an age in which contrary, in frated was proliferating it seemed imperative that courts should refuse to allow a party to rely on a contract which was drafted or structured to deceive

showed was how very important the facts of each case were.

Mitsubishi contended that the particular circumstances of the English public policy.
CASE rendered the relevant Mr Mance submitted that evihead of public policy inapplicahie. Its case appeared to be that
relevant. He contended that

Mr Alafonnes's case was to the contrary. He said issue of the permit was a discretionary matter and that the destroyion was designed to procure a fivourable exercise of the discretion.

Mr Mamoe, for Missubishi, pointed out that the deception, if established, took place abried and did not consistent a text of crime is the UK.

That might or might not be right. But the proper law of the shipbuilding contract was En-glish law, and the question whether Mitsubishi had a good arguable case must be consid-ered on the hypothesis that En-dish law was the law of the foglish law was the law of the fo-

The real question therefore was whether the shipbuilding contract was legal as a matter of

English law, having regard to English public policy. Mr Mance submitted that evithere was no motive of direct illegitimate gain, but merely an intention to avoid political pressure from the suppness authorities. Mitsubishi's evidence as to

Japanese law was unconvincing and the court regarded the explanation of its motives with pticism. But it was not possi-Scepticism. But it was not possible to reject the version of facts relied on in its affidavits. At irlal the Burden of proof on this liste would be squarely on Mr.

On the basis of Mitsubishi's version of the facts, its case passed the required test of arguability, albeit without distinction. It had a good arguable The did not amount to a material distinction. It would be extraordinary if public policy in passed the required test of article context of international business transactions context, but allowed the coercive powers of the siste to be entitled if the deception was stratified abroad.

APPOINTMENTS

independent bank or financial institution, where it might arguably not be governed by the prose of the principle contract. The shipbuilding contract involved a complex bundle of responsibilities and obligations which tended to make a ruling that the accessory contract was governed by a different proper law commercially unstractive.

Making due allowance for the fact that the guarantee was nagotiated and signed in Greece and taking account of the above factors, the court was satisfied that the proper law of the guarantee was English law. As to whether it was a proper

As to whether it was a proper case for service out of the jurisdiction, the desthos was whether it could more satisfactorily be tried in Greece of Edgland, in the interests of all the parties and for the ends of justice (see Spiliada [1987] AC 400).

Looking at the matter in the round, and applying that that, the English Court was the appropriate forum. The application was dismissed.

For Mitsubithi: Jonathen Mane QC and Julian Flore: (Waterhous

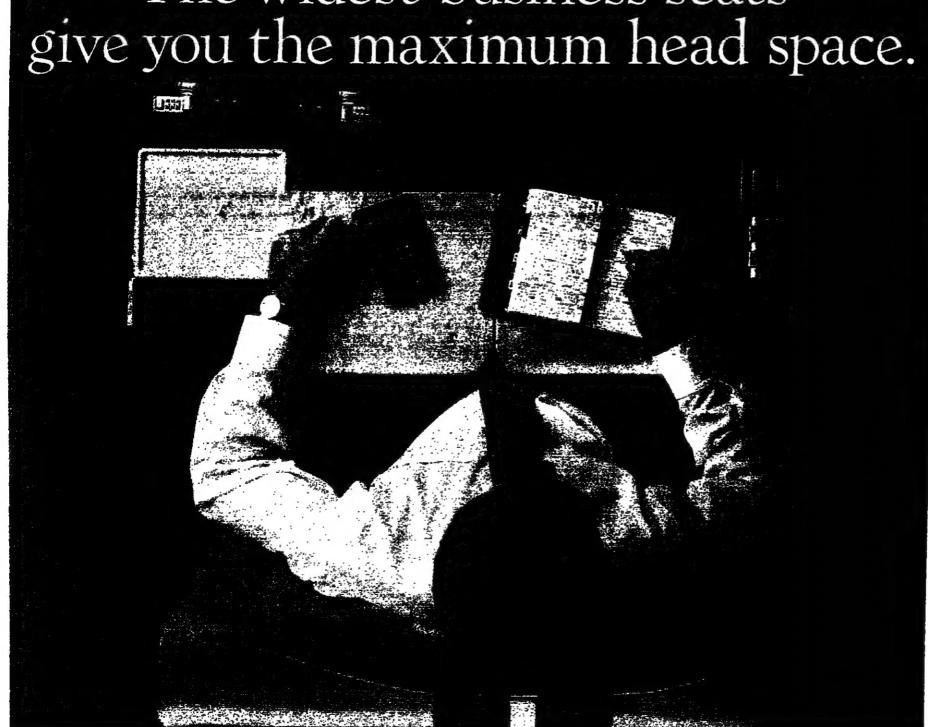
By Eschel Davies

onlisted if the deception was practiced if the deception was practiced abroad.

The public conscience did hot permit English courts to show a contract, governed by English courts to show a larger tolerance to the enforcement of a deceiving tratelection.

The guarantee did hot express a choice of law. The start was therefore for the statem of law with which the system of law with which law system of law with which law s

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New chairman for **Geevor Tin Mines**

He Eric Grayese; has joined BLECTRICAL AND TELEVIthe board of GEEVOR TIN SIGN RETAILERS ASSOCIAMINES as theirman and chief too. He is mandging director
has joined as a non-executive
director. He Edward Nasser, the
previous chairman, and He E. R.
Nasser have resigned from the
hourd.

He manager

AUTO-RENTALS, Strond, a
trading division of Witerantin
Vehicle Restalls. He was general manager.

man of Costain, becomes chairman of W.S. ATKINS, succeeding Mr. Jehn Jacob, who is pointed managing director of C retiring but will continue as an

Lard Masse of Barasley has betome chairman of the BARNSLEY BUSINESS AND INNONSLEY BUSINESS AND INNOBurninghate has promoted for
VATION CENTRE. Mr Res Miles Lackett to the board as
Fisher, who was acting chairman. UK and European sales direcman, becomes deputy chairman. tor He was UK sales manager.

mr s.c. Mackay, has been ap-pointed a director of ALEXAN-DER, HUGHES & ASSOCIATES UE.

Mr Philip Smith has been ap-nointed investment director of

Mr Jim Shelley, secretary to the NY on November 2.

Church Commissioners, has been appointed a non-executive director of SAVE & PROSPER GROUP. He is also to be a member of the securities investment TURES BROKERS AND DEAL and property investment committees, and of the board of United Biscuits (UK).

moted from general manager well control systems, Houston, to managing director (a new post) of NATIONAL CILWELL (UK), London. His responsibilities cover the UK, Europe, Africa, Middle East and the Soviet Union.

BANCA DEL GOTTARDO, a Lugano-based Swiss bank, has appointed Mr Stewart Platts as its London representative. He was a senior executive in the international banking division of National Westminster Bank. Banca del Gottardo's major sharehold-

by be retiring as deputy chief executive of Legal & General Group, will join the board of THE ERITISH LAND COMPANY on November 2.

Mr Robin McEwen-King has been appointed chief executive of NIMTECH-NW, an industrial and academic network intended to provide technology transfer to science-based and growth in-dustries in the north-west. He has been seconded from the Pilkington Group where he was a director of the electro-optics division and managing director of Pilkington Communication Systems, its fibre optics enhald Systems, its fibre optics subsid-

r executive in the interil banking division of NaWestminster Bank. Banca
tardo's major shareholdmitomo Bank.

TION to succeed Lord Northfield who retires on October 31.

By Fletcher has been appresident of the RADIO,

president of the RADIO,

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UK NEWS

Child benefits frozen in social security review

CHILD benefit payments to sevchild benefit payments to seven million familles are to be frozen at present levels but Mr John Moore, the Secretary for Health and Social Security, yesterday moved to calm fears among Conservative Members of Parliament that he plans to scrap the benefit as part of plans to make social security expenditure more effective.

Mr Moore, who said that the government would still be spending an extra £320 a year on families with children, told spending an extra Logu a year on families with children, told the House of Commons that he had no specific proposals for changes in child benefit. But he said that "in view of its cost and ili-targeted nature," he would have to keep it constantly under

The minister also announced a 42 per cent increase in retirement pensions and contributory benefits from April next year in line with the rise in the retail price index over the last year.

He told MPs that an increase in child benefit did not represent the best use of available resources and that he intended to concentrate help on those who most needed it, while controlling the overall growth in social security expenditure.

HIS announcement drew immediate criticism from the Labour opposition. Mr Robin Cook, the party's health spokesman, claimed that the changes in child benefit do to concentrate help on those leave four million others on explore the income support scheme, bousing benefits will also be reshaped and family credit will supersed the family income supplement.

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10 July 1991



BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT AND HAZEL DUFFY

Ian Gilmour, the MP for Chesham and Amersham, in the south-east of England, calling Mr Moore's action 'thoroughly insensitive." Some MPs remain deeply suspicious of Mr Moore's longer term intentions but the

longer-term intentions but the increase in family-oriented benefits appeared to dampen down a threatened revolt among Tory backbenchers.

The decision, which will save the Department of Health and Social Security \$120m a year, means that child benefit will next year remain at \$7.25 per child. Mr Moore claimed that to increase the benefit level would be to give greatest help to those already relatively well off and enjoying rising living standards, while three million poorer families would gain from the overall benefit uprating, irrespective of changes in child benefit.

CBI is bullish on UK economy but calls for interest rates cut

Tories plan increased control over teacher pay

THE GOVERNMENT plans to take permanent control of teachers' pay in England and Wales by giving itself a majority on the management side of new negotiating machinery and by

assuming powers to impose se Mr Kenneth Baker, Education Secretary, is also restricting next year's pay rise for the 400,000 teachers within a cash

limit likely to mean overall in-creases of less than 5 per cent. The two moves, announced yesterday, provoked an angly reaction from teachers' unions reaction from teachers' unions and local authority employers and renewed the prospect of disruption, only months after peace was restored following three years of intermittent strikes.

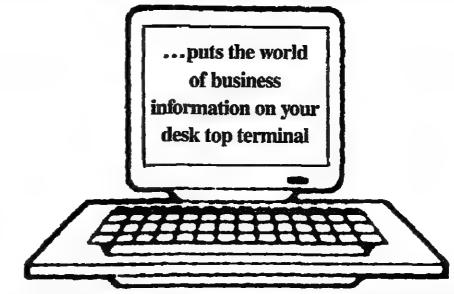
Mr Neil Fletcher, the Labour

Mr Neil Fletcher, the Labour leader of local authority employers, said last night. It is a disastrous recipe for continual conflicts of the kind we have seen in the past few years."

Mr Doug McAvoy, deputy general secretary of the National Union of Teachers, the biggest union involved, said of the cash limit: "We don't believe there is any group in society that would accept the sort of increase this will mean."

The Government's long-term plans for replacing the former Burnham Committee pay ma-chinery were set out yesterday





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BY PRILE STEPLENS, ECONOMICS CONTESPONDENT AND HAZE. DIFFY THE Confederation of British industry said-yesterday that the some time. But he warned that he period of improvement has should have only a limited impact on manufacturing output, but called for a further cut in interest rates to underpin industrial confidence. Reporting the results of its latest quarterly industrial trends survey, the CBI said that manufacturing industrial provider and strong. There were also indications that employment in manufacturing industry had begun to rise for the first time in 10 years. Further confirmation of the strengthening UE economy came yesterday from the Nestonal Economic Development of the strengthening UE economy came yesterday from the Nestonal Economic Development of the strengthening UE economy came yesterday from the Nestonal Economic Development of the strengthening UE economy came yesterday from the Nestonal Economic Development and the proposed in the fourth quarter of this year. Mr John Cassals, Nedo direction of the markets Capital investing performance of the economy was "more encouraging than for markets Capital investing performance of the economy was "more encouraging than for markets Capital investing performance of the economy was "more encouraging than for markets and the proposed in the fourth quarter of this year. Mr John Cassals, Nedo direction of the markets and the proposed in strong the proposed of the countries of the c was more encouraging than for than its competitors in two otheet one of our most demanding customers.

Just a few years ago salmon could not survive in the oxygen starved and polluted Thames. Nor could many other species. But now after years of determined effort the salmon have returned, and that's a sure sign that the river is clean.

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balance all the conflicting demands on the river, including those of our more famous aquatic species.

Every day for example we decide how much water to take from the river and where to take it from. To make this decision we have to take into account many different factors - navigation, land drainage, water supply and pollution control. And in this, the European Year of the Environment, our continuing concern for the

natural life of the river is more important than ever.

At the same time we must also make sure that we achieve this balance economically. That way the bill we pass on to our customers is as low as possible.

The system which allows us to take such a balanced overview is called Integrated River Basin Management. And so successful has it been that it's admired the world over and many countries seek our advice on managing their water problems.

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RUNNING WATER FOR YOU

Rates accounts 'to increase by 4% next year'

BY RALPH ATKINS

local councils keep spending cial year. constant in real terms but allow The pro extra for education and the po-lice, the Government said yes-terday.

Details of grants for 1988-89, announced by the Department of Environment, assume councils will increase expenditure ment Secretary, to the House of cils will increase expenditure broadly in line with inflation. The proposals are designed to bring relative stability to the local government grant for local authorities. This set a planning total for council spending of £27.54bn - a 7 per cent increase on 1990.

However, extra funds will be provided to help towards an 8 per cent increase in education spending and 11 per cent for the police.

police.
The Government estimates this would mean council spend-ing on education could increase this will fund a pay rise for tendering and efficiency teachers agreed last year.

Spending on police would in
Spending on police would in-

crease by about £330m,
The net effect will be a small shift in resources towards shire counties and away from district

RATE BILLS should increase thorities will remain about the by about 4 per cent next year if same as for the current finanRecord

month for

unit trust

investment

INVESTORS poared £1.6862

into unit trusts last month, ac-

cording to figures released

yesterday by the Unit Trust As-sociation.

Even after allowing for re-purchases of £523m, net new

investment in unit trusts reached a record £1.16bn, five

times bigger than the September 1986 figure of £235m.
There was also a leap in the number of unit holders' accounts, which rose a record

329,000 to 4.75m, nearly double the previous record increase
The association said there
was no indication that the

sharp falls in stock markets in the last two weeks had prompt-

ed investors to begin pulling out of anit trusts.

Mr Bill Stuttaford, the chair-

man, said: 'Anecdotal evidence

from unit trust management companies indicates that wide-

spread selling has not taken

The proposals are set out in a

by setting grants to allow both rates and council spending to rise at about 4 per cent, the Gov-ernment is underwriting some overspending this year.

The Government believes that rate of inflation.

Most unit bolders appeared to have accepted that unit trusts should be a long-term investment, be mid. However, preliminary estimates from the association suggest that the last 10 days of rate of initation.
For 1988/89, it has tightened
the safety pets built into the
grant system to dampen large
changes in rate bills when ausuggest that the last to any to stock market volatility have cut the value of unit trust funds from E50.2by on October 1 to about 640by. councils. The share of total gov-ernment grants taken by the London and metropolitan au-diture by substantial amounts.

NATIONAL ECONOMIC DEVELOPMENT OFFICE

REPORT BY HAZEL DUFFY

Time and key areas mar industry's advance

THE MESSAGE of the National Economic Development Office's report on industrial performance, published yesterday, was that industry had made strides in increasing its competitiveness in international markets notably in improving leasures. kets, notably in improving la-

O Improvement came over too short a period to be able to say the corner had definitely been

O Britain lagged behind com-petitors in many key areas, such as living standards and numbers in work

The study compiles published statistical data on international comparisons and is made by Nedo every two years. Nedo sees it as valuable in drawing attention to factors contributing to industrial competitiveness.

Mr John Cassels, Nedo directions of the young

However, the UK compared less well in other factors of comless well in other factors of competitiveness:

The UK in this period.

The UK in this period.

The UK was less successful than competitors in providing adversely affected if stock maripos in the past decade. Al-

Labour productivity: Output per person hour in manufacturing 1976=150

welopment:

The proportion of the young reversed and the level has been to recovering since 1983, it is still population in higher education. The study shows better pertrain's favour and giving rise to the economy's underlying performance being more enabled than for some time."

Improvement in labour productivity.

Welopment:

The proportion of the young reversed and the level has been recovering since 1983, it is still population in higher education. Short of the peak in 1979. By contrast the US experienced relatively high growth throughout, with Japan and Italy expanding moderately.

Labour productivity is where formance faster - has been too the most marked improvement to the proportion of the young reversed and the level has been recovering since 1983, it is still population in higher education. The study shows better pertraints the US experienced relatively high growth throughout, with Japan and Italy expanding moderately.

Labour productivity is where formance faster - has been too the countries moderately.

though the contraction in em-

ployment in the early-1980s was reversed and the level has been

Short a time to pull the economy in competitiveness relative to up to their level on several counts. For example:

The favourable level at which sterling stood against other European currencies, particularly the DM.

However, the UK compared less well in other factors of compared less well in other factors of compared to their level on several other countries has emerged. The study uses statistics from manufacturing only. Although mot representative of the economy other countries has emerged. The study uses statistics from manufacturing only. Although mot representative of the economy other countries has emerged. The study uses statistics from manufacturing only. Although mot representative of the economy other countries has emerged. The study uses statistics from manufacturing only. Although mot representative of the economy other countries has emerged. The study uses statistics from manufacturing only. Although mot representative of the economy of the countries has emerged. The study uses statistics from manufacturing only. Although mot representative of the economy of the economy of the countries has emerged. The study uses statistics from manufacturing only. Although mot representative of the economy of the economy of the study uses statistics from manufacturing only. Although mot representative of the economy of the economy of the countries has emerged. The study uses statistics from manufacturing only. Although mot representative of the economy o

many, at about the same rate as in France and much slower than in Italy.

These have to be set against productivity: this grew relatively fast from the end of 1980 as output recovered and employ-ment fell rapidly but it fell back in 1984 and 1985 before rising

rapidly last year. Unit labour costs, which com-bine hourly labour costs with productivity estimates, have improved since 1960 relative to France and Italy, measured in local currency, but not against the US, West Germany and Japan. The rise from late-1983 appeared to peak in the first quarter of last year. However, exchange rates play

a part in comparative unit la-bour costs. In common currency, using exchange rates, the UK became much less competi-UK became much less competitive in the late-1970s and early-1980s but this was partly reversed more recently, particularly against the US although the position changed again with weakening of the dollar.

Relative productivity improved from 1980. Combined with the depreciating exchange rate and slower growth of rela-

rate and slower growth of relative labour costs, competitive-

ness overall has improved.
On the other hand, productivity of capital, that is the amount of output produced by each unit of capital, fell in the economy as a whole between 1976 and last year. The same was true of oth-er countries but the fall was less sharp.

Capacity utilisation, which measures the effectiveness of the stock of fixed capital, is back to 1979 levels in the UK on-

While aspects of UK industrial performance improved, helped by exchange rates, in others the traumas of the reces-

sion were such that the climb back has still not reached prerecession levels. Analysing the performance on a sectoral basis gives a mixed picture: In about two-thirds of the sectors - manufacturing and services - productivity improved.

On the basis of real average annual growth in value-added, the UK achieved faster growth

in agriculture and energy com-pared with its main European competitors but manufacturing industries trailed behind. industries trailed behind.

Chemicals, particularly pharmaceuticals, office-machinery and electrical goods, and rubber and plastics, are among UK rapid-growth industries.

Service industries saw growth in each country but the UK rate

of increase has not matched that of the others except in banking finance and insurance, where it exceeds Italy and West

In this sector, and in construc-tion and chemicals, the UK performance in value-added per employee leads other countries.

British Industrial Performance and International Competitive-ness over Recent Years, 1987 Edition; Nedo, Millbank Tower, Millbank, London SWIP 4QX; £12.50.

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Parnes to repay £2m to Guinness

BY TAYMORD HUGHES, LAW COURTS CORRESPONDENT

GUINNESS is to be repaid about £2m by Mr Anthony Parnes, the stockbroker under arrest in the US swaiting extradition proceedings by Fraud Squad detectives investigating the Guinness affair.

The payment is part of an agreement to settle the High Court action in which Guinness claimed £3.69m from Mr Parnes and obtained temporary injunctions freezing his English assets. The claim related to payments made by Guinness during its bid for Distillers last year.

In a statement issued yester-

its bid for Distillers last year.

In a statement issued yesterday, Mr Parnes' London solicitors, Berwin Leighton, announced that "agreement has been reached with Guinness for repayment of approximately fight related to invoices submitted in 1966."

ted in 1966."

"Mr Parmes has retained a significant balance in respect of face earned for work undertaken during the Distillers bid. This agreement results from many months of negotiation between Mr Parmes and Guinness and in the parmer related in Mr. Parnes' arrest in the US upon charges which he steadfastly denies. The agreement was almost finalised when Mr Parnes was arrested," Berwin Leighton said.

The announcement came within hours of the High Court being told that Guinness no longer needed the temporary orders it had obtained against Mr Parnes. On October 3, the com-Paries. On October 3, the com-pany was granted injunctions freezing Mr Paries' assets up to £3.69m and requiring him to dis-close the whereabouts of his as-sets and the £3.69m. Last Friday the court was told that Guinness was very close to settlement with Mr Paries and wanted the fracting orders continued only

freezing orders continued only until yesterday.

Mr Richard Field, QC for Guinness, told Mr Justice Wal-ton yesterday that, as a result of out of court discussions, Guin-

The freezing orders lapsed and the judge discharged the disclosum orders.

Guinness issued a writagainst Mr Parnes on October 6. It claimed 23.35m paid by Guinness to Pictet et Cle, a Geneva bank, on July 1, 1988, and 2340,000 paid at about the same time by Compagnic International

name by Compagnic Internationale de Finance et de Commerce, a Ewiss company, for Mr Parnes' benefit. The £340,000 was. Guinness claimed, paid back to Mr Parnes out of £1.94m paid to CIFCO by Guinness.

EDS wins special licence to manage voice traffic

THE DEREGULATION of telecommunications in Britain
moves forward with the award
of a special licence to Electronic Data Systems, the computer
services subsidiary of General
Motors of the US, allowing it to
manage other companies' private voice traffic over a cammon network.
This is similar to previous
moves by the Trade and Industry Department encouraging
companies to manage third parties' data requirements over a
common network.

The department has not pre-viously extended the principle to voice traffic. Acting on the advice of the Office of Telecom-

ney, chief executive of EDS's communications business in Britain, said: "Before, we had to build different voice solutions for each client, regardless of whether we could take a common data approach to them."

Under the new licence, EDS will be able to lease private circuits from BT or Mercury and then run several companies' voice and data traffic over those circuits using common equipcircuits using common equip-ment such as exchanges.

The licence imposes two re-strictions: the first means EDS has to maintain some technical separations between different customers' voice traffic as it is carried over its network.

advice of the Unice of Telecommunications, the industry's regulatory body, it is now likely to
allow other organisations to follow EDS's lead.

Explaining the significance of
the new licence, Mr John Wish-

Manchester authorities unite to secure EC funds

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

THREE local authorities which cover the urban core of Greater rising to 70 per cent among black adult men.

The application costs the proposed developments at £240m pean Community status to help pay for economic regeneration.
The inner city overlaps parts of Manchester, Salford and Trafford authorities, which want £182m from the EC as part of a £637m programme over the next five years.
The authorities, traditionally rivals with differing approaches to urban problems, have renamed the urban core MST after the three authorities and, backed by the Government, are ask-

ed by the Government, are asking the EC for integrated

operations status. This would enable economic development to be funded on an overall basis, rather than project by project, to enable better co-ordination. This in turn would make for easier access to EC funding.

The Greater Manchester scheme would be unique because of its spread across three borough boundaries. The MST area covers 340,000 people, with

Diack adult men.

The application costs the proposed developments at £240m from the private sector £165m from central Government, £50m from local authorities and £182m from the EC.

The scheme would involve six action programmes covering

The scheme would involve six action programmes covering regeneration of old industrial areas, tourism, business development and support, workforce training and better communications, including a light rapid transit system.

Britain is to receive £94.7m

e Britain is to receive £94.7m in grants from the European Regional Development Fund, the European Commission announced yesterday.

Almost £45m is allocated to Northern Ireland. The package includes the largest single grant given to the province - an award of £23.8m to help finance the conversion of Kilroot power station near Carrickfergus from oil firing to dual solid fuel and oil.

Men and Matters. Page 24

Men and Matters, Page 24

National Bus privatisation to net over £300m

THE PRIVATISATION of the by the Government to London National Bus Company will not well over £300m for the Treasury-more than three times initial estimates by City analysts, the company said yesterday.

NBC's annual report and accounts, published yesterday, says reteipts will amount to £306m by the end of March, when the company is expected to be wound up.

The accounts forecast a surplus of £96.3m over the book value of NWC's assessing £5070m. This is 12 months in advance of the timetable laid down in the 1985 Transport Act, which

The accounts are understood to take a conservative view of the likely receipts from assets yet to be sold, in order to avoid embarrassing ministers who are accountable to Parliament for

the privatisation process.

They also omit probable proceeds of around £15m over the next decade from property charges. Internal estimates of the likely level of proceeds are believed to be around £360m.

NBC said 50 of its 72 subsidiaries are expected to be the read to a further 16 sales were awaiting another 16 sales were 16 sales were

tarius had been sold, and a further 16 sales were awaiting approval from Mr Paul Channon,
the Transport Secretary.
Bids have been received for
three of the six romaining companies, and one - Victoria coach
station - has been transferred
station - has been transferred
subsidiaries are expected to be
sold to management buy-out
consortis, including the sale of
Provincial Bus, based in Hampshire, to an Employee Share
Ownership Plan - only the second such scheme established in
the UK.

Kong store next year By David Churchill MARKS AND SPENCER.

Britain's biggest retailer, is to open its first store in Hong Kong next spring, which could be the first of several in the colony. The move is part of the company. ny's expansion plans for the Par East, which will mean greater sourcing of supplies from the

The store opening is a depar-ture from Marks' previous policy of entering into supply ar-rangements with local stores.

Marks has had a presence in Hong Kong for several years The accounts invested a surplus of 298.3m over the book value of NBC's assets (2607m). This is after taking account of a pension fund surplus of 253m, releasing a provision of 211m for capital game tax, and deducting privatisation expenses of 25.7m.

The accounts invested a urplus of the timetable laid down in the 1985 Transport Act, which provided the break-up and privation funds of the timetable laid down in the 1985 Transport Act, which is provided the break-up and privation funds of the timetable laid down in the 1985 Transport Act, which is used to the 1985 Transport Act, which is after taking account of a pension fund to the 1985 Transport Act, which is after taking account of a pension fund to the 1985 Transport Act, which is after taking account of a pension fund to the 1985 Transport Act, which is after taking account of a pension fund to the 1985 Transport Act, which is after taking account of a pension fund to the 1985 Transport Act, which is used to the through supplying its St Mi-chael products to Dodwell Stores, a local company. Howev-er, earlier this year it stopped supplying Dodwell in advance Mr Rodney Lund, chairman, said he was very pleased with the proceeds of the sales, especially in view of the difficulties

of opening its new stores. Dod-well subsequently entered into su agreement with British flome Stores. The new Marks store in Hong Kong will be based in the Ocean Centre, Kowloon. It will be 12,300 sq ft in size and sell a range of clothing, toiletries and foods. of decentralising and restructuring the company to a very tight timescale.

M and S to

open Hong

Further stores in Hong Kong, including one on Hong Kong is-land, are likely to be opened if the first one proves a success. Although most products in the new store are likely to be Brit-ish, the company plans buying more locally-produced goods.

Personal computers set to outstrip users BY ALAN CANE

Conference

PROFESSIONAL

PERSONAL

COMPUTERS

The ability to connect to-gether thousands of personal computers to share documents and files.

ciently applications such as or-der entry without which a com-

PROFESSIONAL personal computers are set to take a massive leap forward in power through new silicon chips and advanced operating systems, but neither manufacturers or their custom-ers are ready to make the best

ers are reany to make the uses use of the new machines. This theme recurred during the fifth Financial Times pro-fessional personal computer conference, which opened in London yesterday.

Hr Jim Hann, president of Lotus Development Corpora-tion, which markets the bestselling apreedsheet 1-3-2, warned that the industry could be damaged by misunderstandings of the results to be expected from computer technology.

The service industries were spending 40 per cent of their capital budgets on computers, chiefly personal computers, yet senior executives complained that white-collar productivity remained flat.

remained flat.

It was the result of a failure to understand the nature of productivity: What is productivity? Will we recognise it when we see it? he asked, adding that vendors and customers alike should work towards an adequate definition.

and relate it automatically to other stored data.

Mr Brian Utley, group direc-tor of work stations for IBM Eu-rope, said that OS/2, the operat-ing system it was developing with Microsoft Corporation for its Personal System/2 (PS/2) mi-

ing system user interface is compliant with IBM's Systems Applications Architecture, we enn expect that all applications a the IBM compatible world . whether PC or mainframe - will eventually have a consistent look and feel."

Mr Bekbard Pfeiffer, senior vice president, international operations for the Compaq Corporation, accused IBM of developing P5/2 In its own interests rather than that of its customers: PSA is a thinly volled atempt by IBM to control its customers whereas the rest of us place priority on responding to

erocomputer family, was almost ready for market. It had been tested for about a He said the lotel 80380 microprocessor chip which powers both IBM's and Compaq's most R had been tested for about a year and was now being used by 1,000 users worldwide. The results of the tests had been very gratifying to IBM, he said, and the first customers for the system could receive their copies this year. powerful machines was "the breakthrough technology that gives the personal computer the critical mass to live up to its

understand the nature of productivity: What is product is productivity: What is producti

computer into the company's would be preferred because of the computing power needed to handle artificial intelligence and detailed graphics. Mr Thomas Vanderstice, chair-

man of Apollo Computer, said factory, high powered worksta-tion would "obsolete the mincomputer as we know it." He sald workstations would

realise the dream of the net-worked corporation. Today's personal computer user wanted a desktop system, he argued, that goes beyond localised one on-one tasks to effortless interaction with other users and oth Mr Robert Aydabirian, general manager of the Grenoble Per-

sonal Computer Division, Hewlett Packard, France, illustrated the advantages to companies of "desktop publishing", profes-sional quality printed matter produced using a personal computer driving a laser printer.
A 16-page newsletter conven-tionally took between nine and

it obeyed accepted hardware nities for people in all walks of life to seek to apply modern The ability to handle effi-ciently applications such as or-der entry without which a com-pact could not operate.

Integration of the personal

And software standards.

He said that in 1987 the large technology to their problems.

He was sharply critical of the computer industry for its failorder entry without which a compact could not operate.

Integration of the personal

Integration of the personal

Mobile radio service launched

A PRIVATE mobile radio service was launched vesterday with the announcement of its first customers, including Bass, the brewing and lessure group. Last year, the Government chose GEC Telecommunications and a consortium led by Philips Telecommunications to operate two new private mobile radio networks on frequencies

known as Band III.
Band III offers advantages over existing private mobile ra-dio because its customers will be able to share the networks thereby saving on some equip-

ment and running costs.

The Philips consortium, which is calling itself Band Three Radio, yesterday launched its service, which initially covers London, the south east, the south coast, the Mid-lands, Yorkshire and the

Mr Andrew Robb, managing director of Band Three Radio, said it was aiming to cover more han 40 per cent of the population by next March and to be na-tional in 1989-90.

GEC will not taunch its neevice until the start of next year. Bass, Band Three Radio's first cians first in the Sheffield area

Television advertisers given extra peak-time slot

THE Independent Broadcasting
Authority has given advertisers
an extra half-minute of peakThe extra half-minute an hour time advertising an hour on in-dependent television and wants to abolish advertising share schemes from the start of next

TV companies have tried to en-courage advertisars to speed a proportion of their advertising budget which matches the ITV companies' coverage of homes. Advertisers spending more were given discounts, those spending less tended to receive

The authority now sidepts the view of its Advertising Liaison Committee, which represents advertisers, agencies and television companies, that share schemes act "as an artificially rigid framework for negotia-tion." It wants to see share schemes removed from rate-

eards from January 1.
Mr Kenneth Miles, ISBA director, said yesterday: "We are delighted that at last the IBA has accepted our view that share schemes are a bad thing." He believes that only the threat

ileent

raffik

in prime time - that is between apm and 11pm - is designed to soften the rapid rise in airtime costs. Airtime inflation has

year.

The incorporated Society of British Advertisers, which represents advertisers, this year said share schemes operated by many ITV companies were uncompetitive and illegal.

Under the share system many ITV companies have tried to encorporate the scale proposed could be achieved without adverse effect on programme quality and encorporate.

The total amount of daytime and evening advertising allowed would be unchanged, at an average of seven minutes an hour between 9.25am and mid-

aight. Mr Miles said the axia prime time was a rise of about be-tween 6 per cent and 7 per cent. He said this should limit the

Initially the extra half-minute decision applies in principle al-so to Channel 4, subject to more talks on scheduling.

The authority said it would next review the amount of per-missible advertising when pres-ent ITV contracts run out at the

Boost for Welsh industry BY ANTHONY MOKETOK, WELSH CORRESPONDENT

THE Land Authority for Wales has switched the thrust of its work from housing to industry and commerce, Mr Geoffrey Instin, its chairman, said yesters.

"We can bring land onto the market much more quickly than in any other way," Mr Inkin said, and speed is often of the calculation.

Introducing its annual report, he said three important development projects in Wales could not have gone ahead at the pace they did without the assistance of the authority. They were: British Coal's proposed 190m superpit at Margam, the Rock point Deloys at Kinnel Park point factory at Kinmel Park, north Wales and the Rockwell factory outside Bridgend.

Although the authority had sold sufficient land last year to provide between 800 and 900 houses it had also let out industrial and commercial land on which more than 1,100 jobs had been created. Some 120 acres are being brought into develop-ment, which is expected to generate private investment of between 500m and 570m.

The land authority was set up by statute in 1975 and is the only body of its kind in the UK. It

The authority made a profit of almost £1.5m last year after tax and interest on a record income

The authority is now involved in developing Cardiff's East Bute Dock, which has been ren-amed Atlantic Wharf, assisting in what Mr Inkin called the im-By its ability to set terms and

acquire land in the dock the authority has contributed sig-nificantly to this development. Most of the site has been sold to Most of the site has been sold to developers and the remainder will go to them in the current financial year." The authority has also been actively involved in projects in Rhyl, Llandudno, Abergavenny, Newtown, Caerphilly and the industrial velleys of South Wales.

Land Authority for Woles. Assumal Report 1986-7. Lend Authority, Old Custom House, Custom House Street, Cardiff. Free.

Sunday, 8.15am. The perfect time to call into the bank and pay some bills.

With TSB's new Speedlink service it's now quite possible to make all kinds of banking transactions over the phone. At the oddest times. In the strangest

By using nothing more than the tone-keys on a modern telephone (or a special TSB tonepad) you can get an instant check on your bank balance.

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If you're interested in getting full information on Speedlink and how to apply, now's the perfect time to ring 0272 300 300. Once you've heard the details, you're bound to say YES.



The bank that likes to say YES.

Assurance plans attacked

BRITAIN'S LIFE assurance companies yesterday fired a fresh salvo of criticisms at the industry's new investor protection rules and said that, in some respects, the rules were "inappropriate, legalistic and at times almost incomprehensi-

The criticisms are contained in a long memorandum published by the Association of British Insurers, which repre-sents more than 400 insurance companies. The memorandum includes nearly 30 pages of detailed comments on the draft rule book published by the Life Assurance and Unit Trust Regu-

work still needed to be done before Lautro's rules could be considered acceptable. It is urging the Government and the Securities and InvestJuly the implementation of all the new rules, which are part of the regulatory framework required under the 1988 Pinancial Services Act.

At the moment, some of the rules are due to come into force in April and some on July 1. The ABI said some parts of the Lautro rules go down into extent." In particular, they would require companies to produce in their sales litera-ture a mass of words and figares more likely to confuse the policyholder than to ealighten."

The ABI also argues that Lautro has been acting outside its latory Organisation, the indus-try's new watchdog body. Into the marketing of financial The ABI said a good deat of products which fall outside its own definition of investments.

Lautro was also going too far by trying to influence the way companies remunerated their soleimen and priced their poliments Board to delay until next cles, the ABI added.

EC venture capital funds grow by 39%

cently decided however to pro-vide just Ecol 9m this year to fund the Venture Consort

This overhang must be re-duced or institutional investors will look for other outlets for

man, warned.
Peat Marwick McLintock, the

accountancy firm which com-piled the yearbook, warned that

venture capital was developing

venture capital industry continued last year with a 39 per cent increase to Eculobn (£6.927bn) in the amount of funds invested or available for investment in unquoted companies inquoted companies. vestments made compared with 7 per cent in 1985. The EC re-

now nearly half as big as in the US, the original home of this US, the original home of this method of company financing, according to the European Venture Capital Association in its yearbook published yesterday.

Britain still dominates the Euu3m the Ecu3m provided the year before and the Euu3m provided the year before and the Euu3m the Ecu3m the association had been seeking.

Although more funds were in money available slowed to 27 per cent from 43 per cent the year before. For the first time, Britain accounted for less than half the total amount of funds available in Europe.

Italy showed the fastest rate

half the total amount of funds available in Europe. Italy showed the fastest rate of growth - of 103 per cent on duced or institutional investors 1985, although at Ecu499m the will look for other outlets for industry in that country is still their funds, Mr Michiel de small. Belgium increased the Haan, the association's chairavailability of funds by 64 per cent and Germany by 61 per

After Britain, the two most After Britain, the two most highly developed venture capital markets are the Netherlands, where the venture capital capital was developing unevenly throughout Europe. Some countries lagged because of a lack of government understanding, while others showed a decline in severe capitalists chasting to few deals.

showed a decline in seed capital and early stage investments from 25.4 per cent of the total to 1887. Peat Marwick McLintock.

CBI INDUSTRIAL TRENDS SURVEY

BY RALPH ATKINS Strong growth reported in manufacturing output Costs and prices. A slowdown of the rate of increase of the unit costs of manufacturing industry, reported in the last quarterly survey, has been largely reversed. A balance of

MANUFACTURING output is growing strongly, falls in em-ployment have been halted and there are few signs of the economy over-heating in the next few

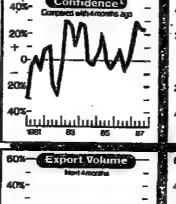
The Confederation of British Industry's latest quarterly industrial trends survey covers 1,358 companies questioned bemanagement buy-outs rose slightly, from 22.1 to 23 per cent. The syndication of venture kets. It shows business confidence improved for the fourth boundaries increased and accounted for 11.2 per cent of in-

The CBI warned yesterday that falling share prices would probably hit business confi-dence in the last quarter of 1987 and was also likely to affect British exports to the US and

more companies than at any time since April, 1977. CBI economists predict manufactur-ing output will increase at an annual rate of 5.5 per cent in the fourth quarter of 1987.

The survey shows little change in the number of companies whose output was connies whose output was con-strained by capacity shortages. About 85 per cent of companies reported their capacity was at least adequate to meet expected demand. Raw material costs increased

faster than manufacturers ex-pected but producer price rises pressures. However, some pickup in manufacturing output prices is expected in the lasi





next four months dropped from 69 per cent in July to 65 per cent in the latest survey.

In the latest survey.

Plant capacity remained the second most frequently mentioned constraint, with the number reporting it as a restriction rising from 22 per cent in July, to 24 per cent in October.

The CBI says there is no evi-ence in the survey that skilled

labour shortages are getting worse. It is cited as a constraint

This rise reflected rising raw material and fuel costs and a slight rise in labour costs which increased in spite of a rise in productivity. A balance of +18 per cent of companies said they had increased prices in the last four months compared with +16 per cent in July. A balance of +23 per cent expect to increase prices in the next four months, suggesting the effect of the unturn in costs has yet to be fally realised in higher prices.

Capital expenditure. A balance of +17 per cent of companies expect to spend more on plant and machinery in the next 12 months than in the last 12

+22 per cent of companies noted an upward trend compared with +10 per cent in the July

Exports. The survey shows the rate of increase in new export orders fell after a sharp rise in the second quarter. A balance of +9 per cent said exports had been above normal in the previous four months.

A balance of +17 per cent ex-

pect an above normal level of export orders in the next four months which the CBI says, in-dicates export growth should accelerate by the end of the CBI Quarterly Industrial

The number of companies working below capacity fell from 45 per cent in July to 41 per cent in October. Trends Survey, October 1987. CBi Economic Trends Department, Centre Point, 103 New Oxford Street, London, WCI 1DU, £104 a

<u> Նահահահանահահահա</u> enting the proportion of companies reporting an increase, minus those reporting a fall.

Employment. A balance of +4
per cent of companies said the
number they employed had increased in the last four months.
This is the first positive balance
since January 1977 and reflects
official figures showing rising
employment in manufacturing.
The survey shows the trend is
spread through all industrial

spread through all industrial sectors, although capital goods industries did not register a positive balance. The largest companies, employing more than 5,000, continue to shed jobs but at a lower rate than reported in the previous survey.

confidence. A balance of +23 per cent of compa-nies said they were more confi-

situation than they were four months ago, compared with a balance of +25 per cent in July. Among the industrial sectors, the CBI reports a levelling of optimism in food, drink and to-bacco companies but a strong upward trend in confidence in

motor whiche, paper, printing and publishing companies. Orders and output. The survey shows the volume of orders has grown in all sectors with partic-ularly strong increases experi-enced by metal products, paper, printing and publishing, motor vehicles and other transport

ders on the previous four likely to affect output in the months and the same balance next four months dropped from said they expected a rise in orders in the next four months.

[69] per cent in July to 65 per cent in the latest survey.

ders in the next four months.

The rate of growth of output volume remained strong in the third quarter - repeating steady increases reported in the last two quarterly surveys. A balance of +19 per cent of companies said their output had risen in the past four months compared with 23 per cent in July.

A balance of +25 per cent expect an increase in output in the next four months.

Capacity constraints. A shortage of orders or sales remains

age of orders or sales remains the predominant constraint on In total, a balance of +25 per output, although the number of cent reported an increase in or-

on future capacity by 19 per cent of companies compared with 18 per cent in July. New-car demand 'weaker next year'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

UK DEMAND for new cars would be significantly weaker next year because of world stock-market turnoil, Mr Garyl Rhys, Professor of Motor Indus-

roressor of matter indus-try Economics, University Col-lege Cardiff, seld yesterday.

He said that before share prices collapsed, the universi-ry's forecasting team had expec-ted domestic car registrations to reach a record level of more than 2 most was required. than 2m next year; now it was forecasting 1.75m and the figure could go below that."

This was because the expecta-

tions of businesses and individ-uals had been cut in the wake of

the crash in equities' value.

He said that if there were a 1929-style world slump following the stock-market upheavals. there would be a bloodletting among world vehicle-makers. The car-price wars, even with-out a collapse in demand, would be renewed in Europe in the

At that time there was the possibility of substantial car imports to Europe from Japanese-owned factories in the US which could cause further structural changes to the Euro-

WORLDWIDE vehicle sales by Rolls-Royce Mator Cars, the Vickers subsidiary, rose by 8 per cent in the first nine months of this year compared with the same period of 1996, from L896 to 2,000 vehicles.

The Bentley marque, which the company began premating again during the past three years, contributed 32 per cent of the total compared with 26 per cent in the 18ms mentles last year.

The most notable improvement in total car sales was in the US where sales was in the US where sales was the the US where sales rose by more than 10 per cent, from

more than 10 per cent, from 10,000, in the UK Rolls-Royce and Bentley registrations were up from 655 to 675 while sales in the rest of Europe improved from 248 to 120. from 248 to 254

said that if the 10 per cent tax were removed overnight, it would have a catactrsmic impact on the distribution business because of the recent fast expansion of car-leasing. Leasing companies would face a sudden 10 per cent cut in their fleets' values.

Both speakers said that up to last week personal and corporate confidence were strong and record UK car markets seemed sustainable. But that was no longer the case.

structural changes to the European motor industry.

Mr Rhys was speaking at a Motorfair dinner organised by Herondrive, the car contract hire and leasing company, now part of the Cowie Group.

He said the expected fall in car demand might provide the Chancellor with the chance to abolish the special 10 per cent car tax.

However, another speaker, Mr Rob Golding, motor industry analyst, at Warburg Securities,

Motor trade bill planned

THE Motor Agents Association mileages to be recorded at anmileages to be recorded at anmi

Mr Clark yesterday outlined the intended content of the pri-vate member's bill the associa-tion first said it would promote at the beginning of this month.
This followed yet another fierce
attack on alleged motor trade
malpractice by trading standards officers.

The association, which represents about 13,000 retail motor trade outlets in the UK, has previously said that it accepted that "there is undoubtedly a most undesirable element at the wrong end of the motor trade." trade."

In spite of this, said Mr Clark. maipractice by trading standards officers.

The bill would be designed, among other things, to fight "clocking" the winding-back of

Sunday Times to expand

THE SUNDAY TIMES is planning to launch an additional two sections in January.

Mr Andrew Neil, editor, said yesterday the paper would be launching a weekly 24-page book section in tabloid form and a 16-page broadsheet travel section from January 10. The seven section from January 10. The seven section from January 10. The seven section paper will regularly be around 160 pages.

We might hit 200 pages in 1988, said Mr Neil, who has wanted to turn the paper into a European equivalent of the

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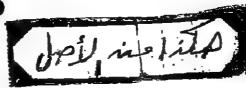
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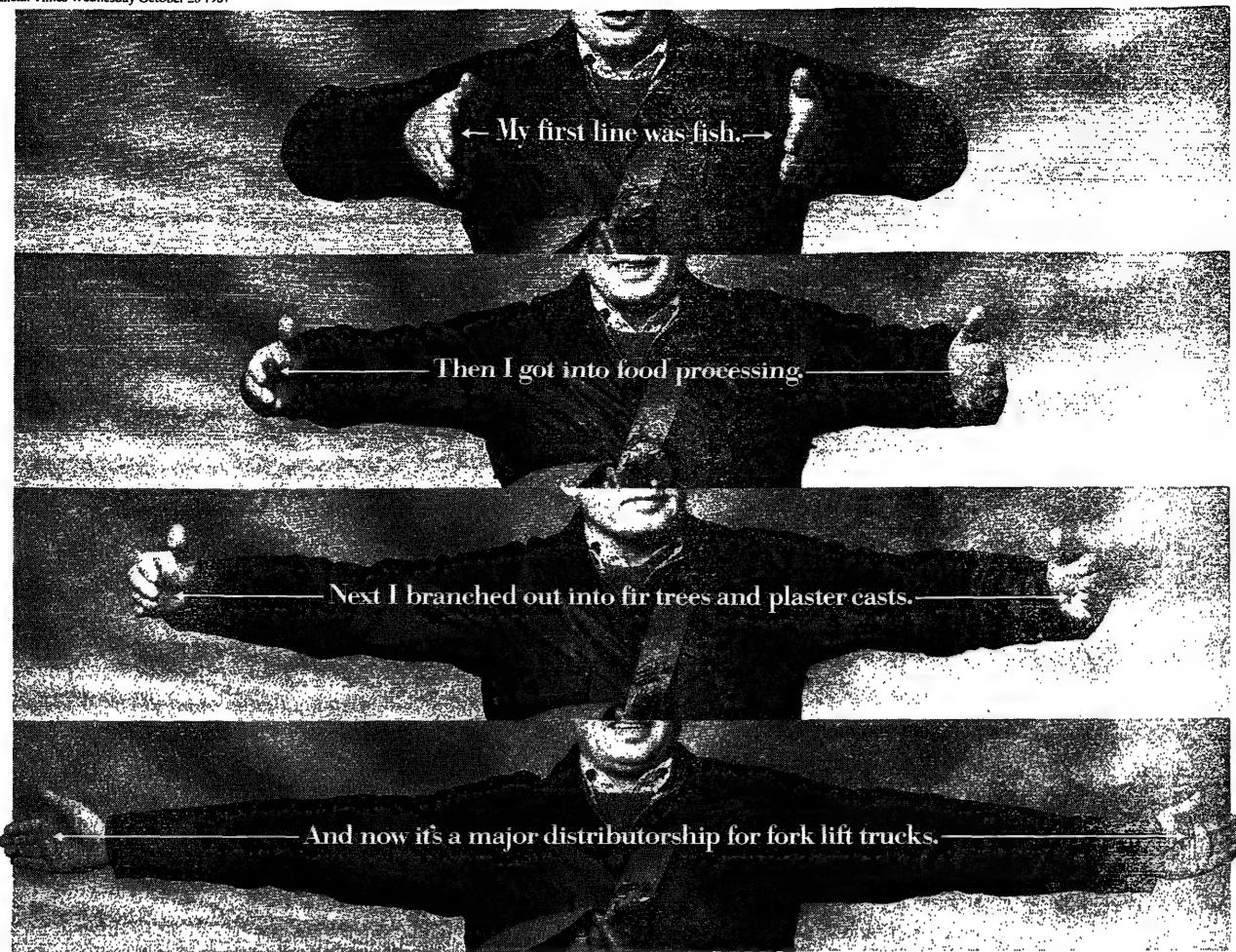
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A fisherman's tale.

(Or how IBM helped John Hughes deal with rapid expansion).

If you run a small business, you'll realise that once your company starts to grow, so does the amount of tedious administrative work.

In the case of John Hughes, his company, the Hughes Food Group, has had a spectacular growth rate. In two years it has expanded to 24 companies, its activities ranging from cold storage of fish, fir trees and plaster casts to industrial machinery manufacture.

With such a rapid growth rate, a personal computing system was essential.

John Hughes found IBM an "excellent choice." In his opinion they not only provide the most appropriate range of equipment, they also offer all the back-up and support the company needs.

More importantly they offer long term security since, in John's words, "They'll still be around for years to come."

For these reasons, he spoke to his local IBM Authorised Dealer, and together they developed the most suitable system for his group.

Firstly, the computerised accounting system took care of time-consuming

work such as stock control, invoicing, payroll and VAT returns, giving John more time for more important things like investigating new markets.

Secondly, as he says, "you can't grow at a fast rate unless you've got overall control," and with his computer system, he has central financial control of all his companies from Aberdeen to Bristol.

John admits that he's not particularly interested in the technicalities of computers. He wants a reliable system that can get on with the job without any fuss, so his dealer keeps in constant contact.

Each time John acquires a new company, the dealer goes there to install a computer system that is compatible with the one at head office.

So no matter how fast John Hughes' group grows, IBM will always be there to help him.

Write to us for our two free booklets. They explain in plain English, how IBM and its dealers can help sort out not only your accounts but also your word processing needs.

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Please send me the IBM	accounting and word processing booklets.	
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Send this coupon to Do or telephone 01-995 770	prothy Moore, IBM United Kingdom Limited, Freepost, I O during working hours.	ondon W4 5BR. TBJ.

BP underwriters given cold shoulder by MPs

by the UK underwriters to halt

no final decision would be taken until the Treasury had discharged its contractual obliga-tions his apparent intention to crisis had exposed the folly of House was described as "crystal market forces by insisting that cision". clear by Mr John Smith, Laso long as the main industrial Mr Sr

prevent the underwriters estab-lishing themselves in what Mr Terence Riggins (C. Worthing) called a "heads I win, tails you lose" situation the Labour lead-ership made an unsuccessful attempt to secure a vote on the is-

LABOUR MPs yesterday pledged themselves to fight, line by line, the proposed changes in social security benefits announced in the Commons

by Mr John Moore, the Social Security Secretary.
Announcing the changes, which take effect next April, Mr Moore said that they represent-

ed an "Intelligent targeting of resources" and dismissed La-bour accusations that they rep-resented "rough justice" for the

poorest people in Britain.
He claimed that, when last in
power, Labour's attempts to
help those in most need of bene-

fits had been totally under-

Under the latest uprating, re-

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

mined by its failure to control
the economy and to contain inflation. Under Labour, Mr
Moore continued, pensioners
had their savings stolen but the
present Government concerned
itself with the real well-being of
the retired, "not just socialist
rising. It would, he stressed,

tirement pensions and all con-tributory benefits, as well as ing families, who gained the benefits for the disabled and same from the uprating whatev-

sured Mr Neil Kinnock, the Lathe £7.2bn offer of shares in BP bour leader, that he would should be rejected.

While Mr Nigel Lawson, the Chancellor of the Exchequer, gave repeated assurances that possible procedures involving the Bank of England the the interval before the Chancellor of the Exchequer, possible procedures involving the Bank of England the survey and the underwing the possible procedures involving procedures involving the Bank of England the survey and the underwing the procedures involving the Bank of England the survey and the underwing the procedures involving the Bank of England the survey and the underwing the procedures involving the Bank of England the Bank of England the survey and the underwing the Bank of England the survey and the underwing the Bank of England the survey and the underwing the Bank of England the survey and the underwing the Bank of England the survey and the underwing the Bank of England the survey and the underwing the Bank of England the survey and the underwing the Bank of England the survey and the underwing the Bank of England the survey and the underwing the survey and writers is announced tomorrow. Mr Lawson countered Labour

bour's shadow Chancellor.

In an attempt to translate the obvious desire in all quarters to obvious desire in all quarters to Nor was he prepared to accept the assertions of Labour the collapse in international MPs that the BP 'fiasco' marked marketshad been the irresponthe end of the policy of selling

the Government's reliance on

off public assets.

To government cheers, the Chancellor declared that the privatisation programme would continue, and with it the spread

The Speaker (Mr Bernard of share ownership.

Weatheriil), whose earlier decision to permit Mr Smith to ask a private notice (emergency)

The Speaker (Mr Bernard of share ownership.

The "free market chickens" had now come home to roost, he said, and the markets themselves on the markets themselves on the markets of share ownership.

The "free market chickens" had now come home to roost, he said, and the markets themselves on the markets of share ownership.

The "free market chickens" had now come home to roost, he said, and the markets themselves of share ownership.

Retirement pension (single)
Retirement pension (couple)
Invalidity pension
Widow's allowance
Unemployment benefit (over pension age)
Unemployment benefit (under pension age)

Maternity allowance

Child benefit (each child) One-parent benefit

Severe disablement allowance

the new system of income relat-ed benefits which will also be

implemented next April.
Defending his decision not to
raise child benefit levels, he
claimed higher payments would

provide no extra help to over 3m children in families on ben-

war pensions, will rise by 4.2 er happened to child benefit the number of claimants who per cent, to reflect the increase in prices over the 12 months ending in September. The min
£1.3bn to the social security would be that 4m people receivants.

Labour MPs to resist benefit changes

BENEFIT LEVELS (in £)

ister also announced details of budget, a substantial increase

procedures involving BP and

He explained that if the Trea-sury and the underwriters were unable to agree they were re-quired to make a joint approach to the Bank of England for its Mr Lawson stressed: 'T will

take full account of that assessment before I take the final de-Mr Smith, who told the Chan-

sibility of governments, includ-ing Mr Lawson and his colleagues, in facing up to the twin problems of the US deficit and the Japanese and West German

surpluses.
The "free market chickens"

in spending for the Govern-ment's biggest single pro-gramme. He said the proposals

struck a fair balance between protecting the interests of the poorest and of those, such as pensioners, who have substan-

tial reliance on state benefits, and protecting the interests of

those whose taxes and contribu-tions pay for benefits."

Mr Robin Cook, Labour's health spokesman, said that, even by the Government's own standards, it had set a record in

major industrial nations agree- er damage than if the issue ing that the main item on the were allowed to proceed. ing that the main item on the agenda should be measures to Mr Lawson replied: You are tackle the deficit-surpluses very knowledgable in these problem with a view to avoiding matters and I have carefully ecession and re-opening the opportunities for growth.

Mr Lawson agreed that the size of the US budget deficit was way ahead of their own capacity to finance it and consti-tuted a major problem in the world economy.

He reminded Labour MPs

that they had urged the Govern-ment to follow a similar course to that which had caused such problems for the United States. Mr Lawson also accepted the importance of international co-operation and described the arrangements between the Group of Seven nations as being "in better shape" than at any time since he became Chancellor in

ing benefit would not get a pen-ny extra and that Im would lose

Mr Cook claimed that a family

of four drawing the new family credit and housing benefit could now lose 98p in every £1 in earnings. He said that if the Government had not broken the

covernment had not broken the link between pensions and average earnings, a married couple's pension would from next April be £14.60 higher than the levels announced. Britain now had the lowest pensions in Europe, he added.

Sir Ian Gilmour (C, Chesham and Amersham), a leading Tory critic of the decision not to raise child benefit, said that in the light of the earlier assur-ances from the Chancellor of the Exchequer that the econo-my was in excellent shape, his decision to freeze the existing

decision to freeze the existing benefit level was "thoroughly

The decision, he claimed, amounted to "discrimination pure and simple against families with young children." Child benefit had fallen in real terms

since 1974 and challenged Mr Moore to justify his decision.

A VIRTUALLY unanimous view question brought Mr Lawson to Rothschild, the merchant bank, emerged in the Commons last the Treasury despatch box, had made their application right that the eleventh-hour bid ruled against a debate but as which triggered consultation to the under the under the complete that the under the consultation are the consultation and the consultation are the consultation are the consultation and the consultation are the consultation and the consultation are the consultation and the consultation are the consultation are the consultation and the consultation are the consultation are the consultation are the consultation and the consultation are the consultation and the consultation are the consult sponsibility which they had sue were to be withdrawn it abandoned would be felt that the under-Mr Smith called for a new eco- writers could not meet their omic summit with the seven commitments, causing far great-

noted what you have said."

Mr Robert Shelden (Lab, Ashton-under-Lyne), who is chair-man of the Commons public ac-counts committee, recalled that it had condemned the very large fees" commanded by the underwriters associated with earlier share issues resultingfrom the Government's privatisation programme.

He urged the Chancellor to "dismiss the impertinence" of the UK underwriters seeking to evade their liabilities in re-spect of the BP issue.

Mr Lawson drew attention to the important role occupied by Mr Sheldon as chairman of the PAC and promised that his views would be carefully noted.

Ridley sets limits for public

PUBLIC ownership is not necessary for the provision of ser-vices by central and local gov-ernment, Mr Nicholas Ridley, the Environment Secretary, argued last night in a speech urging a sea change in atti-tudes by local authorities.

Mr Ridley argued that the rale of public sector meets and houses generated more money for new investment than would otherwise have been the case.

when it was accepted that rei-ther local authorities nor gov-erument were in the business of empire-building.

renment's privatisation policy had so far produced £16bn for the improvement of the capital stock of local authority assets, which was being ploughed back and profitably lavested.

vest the state of empires rather than to continue to build them up, with a new perception that the pursuit of state ownership

ownership

Re was addressing the El Group of Tory backbenchers from the free market/right wing of the party.

His central these was that the public sector did not need to have a permanent invest-ment in bousing, and in shop-ping and leisure centres. In-stead, the private sector should provide these things, with the public sector providing specif-ic subsidies to people they

were trying to help.

He argued that it might be right to use public money to bring retail centres or factory units into existence, but ownership was not necessary ex-cept in the case of facilities like town halls, pavements, public parks and sheitered housing.

A modified system of capital controls would, he said, have to continue until the time came The Department of the Envi-

He stressed the need to di-

Nigel Lawson: pledged that privatisation programme would go on

Chirpy Chancellor easily avoids that sinking feeling...

THE SYSTEM of "managed floating" in the Louvre agreement was strongly commended yesterday by Nigel Lawson when he came to the Commons to answer a Labour private notice. tice question on the turmoil in the stock markets and the pos-

tion of the EP flotation.

In fact our chirpy Chancellor performed some skilfully managed floating himself and kept his bouyancy despite the stormy weather. Most of the heavy shells thrown at him by John Smith, Labour's shadow Chan-cellor, bounced off his armour

Mr Smith fulminated that Mr Lawson should be ashamed that he had to be dragged reluctantly to the Commons to answer questions on the situation. He should apologise to the House for treating it as less important

than the stock exchange.

But shame and apologies are
not at all the Chancellor's style
and he shrugged off the Labour
spokesman's diatribe as "a bit of
importanence."

Positively bouncing with

Positively bouncing with self-confidence he congratulated himself and the Government on putting the UK econ-omy in such a robust state of health and sound finances that it was in the strongest possible position to weather the storm. There was precious little sympathy on either side of the House for the underwriters of

the BP privatisation issue who stand to suffer big losses on the

he was now such a rising star in the people's party.

Tony Benn also got the rough side of the Chancellor's tongue.

Taking his customary trip down memory lane the veteran left-wingerasked if Mr Lawson had read the speech made by Win-ston Churchill in 1914 when he acquired a majority helding in acquired a majority holding in Anglo-Persion Oil (BP's prede-cessor) for £2m, probably the wisest public investment of all

time.

Mr Benn suggested the privatisation of BP should be cancelled and its assets kept in the public domain. No, Mr Lawson had not read

the Churchill speech but he did recall that Mr Benn had been Energy Secretary in the Labour Government and had been re-sponsible for the first sale of BP shares at 100 pence each.

Other left-wingers who had taken part in the great Socialist talk-in at Mr Benn's Chester-field constituency over the weekend, fared no better. Eric weekend, fared no better. Eric Heffer declared that there had to be a recognition that the capitalist system was now beginning to fall apart.

The Chancellor chuckled amiably at Mr Heffer's touching belief that the Socialist millennium was at hand. He saw Eric as one of the Commons dipassures.

one of the Commons disosaurs and as such had a great affec-tion for him. The truth was that the workers had done a lot bet-ter under the Conservatives than under the bour.

stand to suffer big losses on the deal. On the contrary, most MPs gleefully indulged in a spirit of schodenfreuds at their plight.

Tory MP Anthony Beaumont-bark, an investment analyst and stockbroker, summed up the feeling when he said that underwriters had done well for themselves over the years. Now was the time for them to live up to the stock exchange slogan of "My word is my bond."

There was great hilarity when at least two Tory MPs made an unfortunate Freudian slip by referring to them as "undertakers".

The Chancellor, who is ever eager to deliver a blow to the solar plexus, demurred at this view. Even he did not believe that Labour was capable of starting the silde on the New York stock markets.

Labour was not in the easiest position to take advantage of the situation particularly as Bryan Gould, the party's campaign co-ordinator during the general election, has been urging the party to change tactics and climb aboard the bandwagon of wider share ownership.

The great policy revisionist was sitting on Labour's front bench and Mr Lawson was quick to remind him of his views and to speculate whether

Take the silde on the New York stock markets.

Nevertheless, if they could have done, he added as a malicious afterthought.

It is indeed fortunate that this Government is in office in this country, he intoned. It is the one Government that can steer the country's economy since the story period we may be facing. It was a suitably majestic finale to a swashbuck-ling performance.

Liberals unhappy over party policy talks

POTENTIALLY significant differences of opinion have emerged among the Liberal and Social Democratic Party negoti-

Social Democratic Party negotiators about the status of the
joint policy prospectus to accompany the constitution of the
projected merged party.

Consequently, some leading
Social Democrats are now
warning that the talks may not
succeed in spite of the progress
reached in the past three weeks
on a constitution.

reached in the past three weeks on a constitution.

Mr David Steel, the Liberat leader, and Mr Robert Maclennan, the SDP leader, have jointly proposed that the policy stance of the new party on items such as defence should be included in a prospectus to be agreed by the negotiators. They want this in turn to be submitted for approval to the consultawant this in turn to be significated for approval to the consultative conferences and assemblies of both parties early next year and then to a vote of all narty members.

party members.

They have agreed that this prospectus should be entrenched as part of the constitution for an interim period for at least the 12-18 months until the new party's policy-making ma-chinery is in place.

The problem arises over the opposition of several of the Libopposition of several of the blue eral negotiators to any agreement about policy before a new party comes into being. They argue that policy should be decided solely by members of the new party.

However, Mr Maclennan will However, Mr Maclennan will not recommend any deal to his party unless such an entrenched policy prospectus is included. He believes it is necessary to reassure doubting Social Democrats that a genuinely new party is being created and that it will not be a Liberal-dominated party.

dominated party.

The negotiators of the two parties met again last night and both sides intend to make public their positions this morning.

PM takes hard line over committees

ATTEMPTS by minority parties to secure changes in the meth-ods used to decide the composi-tion of the select committees whichmonitor the work of gov-erument departments were brushed selde by Mrs Margaret Thatcher, the Prime Minister.

She pointed out that the exis-ting arrangements permit the membership of such commit-tees to be decided by a vote of the House - with the Government's majority usually ensuring that its preferences pre-

Scottish MPs on the Opposi-tion benches, who outnumber their Conservative counterparts by 50 to 10, want the member-ship of the select committee on Scottish Affairs to reflect the balance of the parties in Scotland while the Government is insisting that its membership should reflect its overall majority in the Company

ity in the Commons. Members of other minority parties are also dissatisfied with the existing procedure for determining the membership of select committees.

Labour groups to oversee review of party policy BY MICHAEL CASSELL, POLITICAL CORNESPONDIDIT

meeting by Mr Larry Whitty, the party's general secretary.

It involves the setting up of seven groups, each responsible for a specific policy area, comprising members of the NEC and the shadow Cabinet. The trades unions will also be involved though it is not yet clear whether they will have direct involvement in the new policy groups, which should be operational within a month.

put to next autumn's annual conference. A further year's work will then go into refining policies for approval at the 1989 conference.

Today, the party will be holding the first of its 'Labour Listens' meetings, designed to help the party canvass grassroots opinion around the country on political issues. The first meeting, to discuss the poil tax proposals, will be held at Westminster

LABOUR's national executive committee is today expected to endorse proposals to establish a series of groups to oversee the policy review which the party is to undertake in the wake of its third election defent.

The mechanism for the widereaching review, called for by Mr Neil Kinnock, the Labour leader, is detailed in a paper to be submitted to today's NEC meeting by Mr Larry Whitty, the party's general secretary.

It involves the setting up of seven groups, each responsible for a specific policy area, comprising members of the NEC and the shadow Cabinet. The trades unions will also be involved though it is not vet clear

Davies sees threat of 35% defence orders cut

DEFENCE ORDERS may have to be cut by 35 per cent to meet the Government's target of a 5 per cent real-terms reduction in the defence budget at a time when spending on the Trident nuclear weapons system is ris-ing, Mr Denzil Davies, the shad-ow Defence Secretary, told the Commons law night

Commons last night.

Speaking at the start of a twoday debate on the defence estimates, Mr Davies said: Most members of this House and most members of the armed

ural lifespan and to buy equip-

ment from the US, thus running down the British defence industries. If the first option was adopted, he estimated orders would fall by 35 per cent.

Mr George Younger, the De-fence Secretary, said spending on defence had been a total of £16bn more since 1979 than is would have been had Labour's spending plans continued, and nearly all of that had been on conventional forces. Defence sales weere at record levels and the defence industries were en-

Government has no hope of meeting its defence commitments within the expenditure it mediate-range nuclear weapons in Europe but condemned Soving and the likely of mediate-range nuclear weapons in Europe but condemned Soving and the likely of mediate-range nuclear weapons in Europe but condemned Soving and the likely of mediate range nuclear weapons in Europe but condemned Soving and the likely of mediate range nuclear weapons in Europe but condemned Soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and the likely of mediate range nuclear weapons in Europe but condemned soving and t The Government's options et negotiating tactics which, he would be to reduce spending on new equipment, to keep old vant arguments and placing equipment going beyond its nat
"spurious obstacles in the way vant arguments and placing "spurious obstacles in the way of progress on arms control."



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How finance-sector recruiters see the slide

BY MICHAEL DIXON

Lower quartile Total

24,465 25,480 20,000 20,800 19,500 19,829

"If you can't ride two horses at the same time, you've no right to traditional treasury operations be in the circus," Those words - will go on much as always. And once spoken by a company chief treasury instruments and financeflecting on the pressures of cial futures will probably stand life in top management - are brought sharply back to mind by my inquiries these past few days about the likely effects on markets staff like equities and inh prosperts of events in stock.

days about the likely effects on job prospects of events in stock markets and the like.

One immediate result is that recruiters in such fields are a lot who were taken on while more chary than they used to be of speculating about the future. The dozen I consulted all began their answer with a phrase like: for people who have what it "Well, assuming that crisis takes to do all right not only doesn't turn to total disaster..." when it's running the other way the consensus is that prospects

Engineering director Senior function head Function head Department manager

doesn't turn to total disaster...

Within said provisos, however, the consensus is that prospects are not as gloomy as many folk in the financial sector seem to fear, let alone as grim as some pharisees outside it apparently hope.

The interval of the dozen felt that people's prospects would also depend much on the origin of their employing organisation.

Not everyone is as quick with the axe as American investment banks and some Britisho same

theirs and blaming it on you... consultancy in association with then you've no right to be in the finance sector." consultancy in association with the Engineering Council. Anyone wishing to know more should contact Peter Stevens of the consultancy at 51 Portland Wingston-upon-Thames,

29,460 24,000 22,600 20,358 18,042 16,299 13,993 11,655 10,002

Median Total

24,920 23,185 21,000 18,392 16,850 14,662 12,107 10,552

Upper quartile Total

Basic money salary reward

34,183 35,750 27,188 29,409 26,832 28,000 23,069 24,138 20,304 21,033 18,427 19,654 15,660 16,605 13,068 14,027 12,456 12,573

their employing organisation. The reliable as American investment banks and some British houses included a pessimist. There'll sand as American investment banks and some British houses included a pessimist. There'll sand some British houses included a pessimist. There'll banks and some British houses included a pessimist. There'll banks and some British houses way. The Japanese tend to take as locking for jobs in the sector, and many won't find one,' he said. They'll have to move into other kinds of occupation.'

But his gloom was balanced by the optimism of another consultant who said that London at least, primarily because of its geographical position, would in the longer-run maintain its growth sufficiently to reabsorb most people at present being displaced. Moreover the bulk of the recruiters maintained that while some types of staff may suffer badly from the shake-out, others are likely to be relatively unscathed.

The is true that my informants in each mercial investment banks and some British houses the pay and perks of Britain's tenguer tend to be dwarfed by the princely rewards common in City-type banking. Even so engineering staff seem at last to have something that numerous supplies could come to envy. For according to the survey from which my figures are taken, UK.

But what recalled to mind the company chief's words about qualifications for circus work, specifications for circus work. But what recalled to mind the company chief's words about qualifications for circus work, specifications for circus work. But what recalled to mind the company chief's words about primary the consultants seemed agreed. It is that, as a result of basic promotions for engineers of test stability.

But the pay and perks of Britain's tenguers common in City-type banking. Even so my first primary seem at last to have something that numerous supplies could come to envy. For according to the survey from in stage of the proceedings. So do the other headhunters to be mentioned later.

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Engineers

AS THE TABLE above shows, the pay and perks of Britain's engineers tend to be dwarfed by

Section manager Section leader Senior engineer

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kept up their record over the last few days," Mr Dodson says. Salary around £50,000 which could be doubled by bonus earnings, plus still usual City fringe benefits.

30,764 24,898 23,735 21,021 18,678 16,620 14,247 12,012 10,303

26,375 24,530 21,722 19,192 17,528 15,046 12,744

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% with % with 5 week

64.0 44.2 54.8 32.0 17.3 5.3 2.8 0.5

21.0 24.0 22.0 18.0 18.0 11.0 9.0

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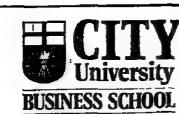
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Our client, a major US bank, is expanding its presence within Currency Options and henceseeks experienced traders with at least two years' exposure to either exchange traded or OTC options in an active dealing room environment. Candidates should have run the house book, trading the volatility of the markets and be able to make an immediate contribution to the team.

SPOT/FORWARD FX DEALERS

This large, European Bank wishes to appoint further Spot and Forwind dealers on its Cable, Yen, SFr, and DEM desks. With a minimum of two years' active trading experience of Majors and perhaps some Currency Futures, applicants should be in their 20's and be capable of running the book/positions. The rewards offered are highly competitive.

FINANCIAL FUTURES & OPTIONS TRADER

A Desk Trader is required to run the Futures and Options book for a major UK bank, Candidates should have an established name in the market and although knowledge of Options would be useful it is experience of trading Futures that is paramount. Applicants will be expected to have a good academic background, well-developed analytical skills

and some exposure to Arbitrage Truding. This position will appeal to young and ambitious team players.

If you are able to meet the above criteria, please contact Anthony Isem on 01-929 2383 or send a full CV in strictest confidence to Reed City, Fourth Floor, No. 1 Royal Exchange Avenue, London EC3V 3LL

Marketing Bank Services

c.£25,000 + Car

+ Mortgage subsidy

The HongkongBank, one of the world's leading International Banks, is looking to add to its team of Account Managers who market the Bank's extensive range of financial services to major corporate clients throughout the UK. Your responsibilities would cover market research, analysis of clients' businesses, and the servicing of customer requirements.

You should be aged about 30, ideally a graduate with AIB, and have previous corporate lending experience. Can you demonstrate the drive and initiative to develop successfully client relationships? If so, please write with full career details or telephone:

Assistant Manager Personnel, The HongkongBank Group, 99 Bishopsgate,

London EC2P 2LA. Tel: 01-638 2333, Ext. 2005, The Ho

HongkongBank (X)

INVESTMENT **MANAGEMENT**

City based

We seek an Assistant Investment Manager to join our Private Client management team and become involved in handling a broad range of existing client portfolios.

You will preferably be a graduate, ageti 24-30, with 3 years plus experience in portfolio management, probably gained with a broker or merchant bank. Good communication skills are essential as the position will involve attendance at client meetings and extensive liaison with our other group companies.

We offer a competitive salary commensurate with your experience, together with a generous benefits package.

Please send a comprehensive CV, including salary history, to Sara Smith, Hill Samuel Investment Services Group Ltd. NLA Tower, 12-16 Addiscombe Road, Croydon CR9 2DR of telephone 01-686 4355 ext 2331 for an application form.

HILL SAMUE INVESTMENTSERVICES GROUP

OFFICE MANAGER STOCK EXCHANGE COMPANY

An expanding financial services group requires an Office Manager for its stock broking subsidiary.

Candidates will be dynamic individuals with proven career paths to management. They will be fully conversant with all aspects of stock exchange procedure.

A salary of £30,000+ together with a full benefits package is envisaged.

Send a Aill c.v. to:THE MANAGING DIRECTOR, Box A0706, Financial Times, 10, Cannon Street, London EC4P 4BY

International **Investor Relations**

A leading City based company with high quality clients on a global basis seeks anexocutive with city experience. The rapid expansion of our business creates the need for a further assion executive with the ability to cover intensial markets around the

The successful candidate is likely to be a graduate with experience in fund management, successiving, merchant banking or financial services. A considerable amount of international travel is required so languages will be an

A high degree of self motivation should be combined with communicating skills and the confidence and maturity to relate to clients at board level. Responsibilities will include the development of global investor relations programmes for new and existing clients and will require a good rapport with fund managers, analysis and stockbrokers.

An attractive performance based remuneration package is offered with the opportunity to share in the company's

Write Box A0709, Financial Times, 10 Cannon Street, London EC4P 4BY.

EDITOR/ENERGY

Financial Times Business Information, Europe's leading publisher of energy information; seeks a journalist to edit one of its major public láicceasful candidata will probably bé a specialist in áil and gas, ami will Certainly have a shoot track record in unergy journalism.

This is an ideal opportunity for an experienced journalist who feels ready to take on the responsibility of editing.

Please reply, enclosing a CV and examples of recent work to:



BANKING CAREERS

CREDIT SYNDICATIONS c620,000

This top US Bank currently has an excellent opportunity for a Graduate Banker with Capital Market products/Credit Syndications experience. Working within the Corporate Finance team this high profile position involves establishing relationships and originating new facilities. Candidates must be able to demonstrate a flair for new business, excellent communicative skills and a generally creative approach.

For further details call: Gaynor Harris or Sarah Mesalel on 236 1113 of write in confidence to: 13-14 Gt St Thomas Apostle, EC4V 2BR. Portman put care into careers

· 01-236 1113 A

Atlas Stockbroking have many exciting, well paid positions for experienced Stockbroking Back Office Staff CAD Ledger Clerk - £12,609 (Muši hāvē 2 yrs exp) Contracts Clerk - £15,000 (Minimum 2 yrs exp) Right & New Issues Clerk - 529,000 (Minimum 4 yrs exp) Burebonds Settlements - £15,000 (Minimum 3 yrs exp., inc Mortgage Subsidy)

As from Tuesday October 13th Stockbroking Division will be opening until 7.00 pm, every Tuesday. Why not take advantage of this opportunity to call in for a chat or phone: 628 7491 and ask for Miss Mandy Bister, Mr David Gibbons or Mr Richard Fuller

Jonathan Wren Leasing Division

AIRCRAFT FINANCE SPECIALISTS

c£80,000

Several 'major players' seek applications from individuals with a first class reputation for creativity within this specialist market. Coupled with strong, negotiating skills, the necessary structuring and packaging abilities will have been developed through a firm knowledge of the assets. Strong European contacts are desirable.

LEASING PROFESSIONAL £Very neg

A wall respected and long established 'packager' of both routine and complex deals seeks an experienced marketing professional, aged 27 to 35 years, who will currently be working for either a broker or a principal. Asset specialisation is a strategic focus for their expansion, hence applications are welcomed from individuals with a detailed knowledge of a specific market sector.

MARKETING EXECUTIVE c£30,000

A leading international bank seeks an experienced negotiator to identify and structure a variety of medium/large asset financing transactions. The appointed, of graduate calibre, aged around 30 years, will offer a sound UK/international leasing knowledge and the ability to capitalise on the exciting range of financial instruments available.

> For the above positions please contact Jill Backhouse of Peter Havnes.

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SINGAPORE

SYDNEY

Recruitment Consultants No.1 New Street, (off Bishopsgate), London 6C2M 4TP. Telephone: 01-623 1266. Fax: 01-626 5258.

SENIOR ANALYST/FUND MANAGER JAPAN

.....

Last year Netional Makusi acquired Schroder Financial Management and the new combined group is use of the festest growing Life Assurance and Unit Trust bigsmissions in the UK.

The development and expension of our highly successful international team has hacestrated the appointment of a further senior specialist to down the laptimes equity market. We are primarily seeking applicants with relevant experience but will consider individuals of exceptional iffy who may not have such specific expertise

Ideally, the stickessful candidate will have an appropriate business felated dogree, be progressing towards an SIA qualification, and have the ability and personality to project National Mutual well to existing and potential clients.

This appointment will provide a rewarding challenge to the right person, with own expect rapid advancement to a denier fund management role.

A certificitive remuneration package is offered which includes immediate eligibility to a performance-related benus scheme, a moltgage subsity and other fringe benefits associated with a large fund management group. Generous relocation assistance will be given as appropriate.

If you are interested in joining our highly motivated and forward-looking team in Ptoke and want to be part of an international financial services group whose excess as billion, please write with a detailed C.V. including current selary or telephone for an application form to:—

The Personnel Department NATIONAL MUTUAL NM HOUSE, Serpentine Road Poole, Dorset BH15 2BH Tel: (0202) 680666



INVESTMENT ANALYSTS

Last year National Mutual acquired Schröder Financial Management. Ltd. and the new group is now one of the fastest growing Life Assurance and Unit Trust organisations in the U.K. As part of our continuing expansion we have two vacancies for lovestment Analysts in our forward-löcking team based in Poole, Dorset.

The successful applitants will become part of a major UK organisation which is in turn part of an international financial services group whose assets exceed £8 billion. The ideal candidates should have suitable degrees, be in their mili-twenties and have between one and three pegress, pe in meir min-twentles and have between one and three years' analytical expérience. Candidates with expérience in the Financial, Pharmaceutical & Chemical sectors of the UK equity market will be particularly well régarded às will persons who are progressing towards an ASIA qualification.

These appointments will provide rewarding challenges to the right 586618. The salaries offered will be competitive and progression includes eligibility to a performance-related bonus scheme. Relocation assistance to Paole will be given as required. Fringe benefits include a mortgage subsity and other benefits applicable to a large UK fund

Due to our expansion programme the promotional opportunities are excellent and we are therefore looking for candidates of high calibre with the ability to progress. If you believe you are capatile of meeting these challengs please write with detailed CV, including current salary, or telephone for an application form to:

The Personnel Department Motional Mutual NM House Serpentine Road Poelé Dorset BH15 2BH

(0202) 680666



LAWYER

Expanding Financial Services Group

West End

Our Client is a well established and vigorous financial services group owned by one of the UK's Top 15 Banking Institutions.

This new appointment will include full responsibility for the monitoring and control of all business activities to ensure that they comply with the requirements of the new Pinancial Services legislation. In addition, as the Group's Company Secretary, you will be responsible for all secretarial functions, together with advising as appropriate on inter-group legal affairs.

We are seeking candidates of substance and character, probably aged 30+, with experience of the securities, insurance or investment markets, who possess a strong legal or secretarial background. In addition, they will require good organisational skills, integrity and sound commercial judgement.

This challenging position carries executive status and provides for genuine carrier enhancement together with a highly competitive salary and generous fitzige benefits.

Contact Norman Philpot in confidence on 01-248 3812

NPA Management Services Ltd

12 Well Court - London EC4M 9DN - Telephone 01-248 3812/3/4/5

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Invest in your future

North West to £23,000

The financial revolution has created many exciting new changes which affect the way we operate and manage our business as well as providing tremendous scope for career development.

Within this highly progressive and expanding sector; Girobank have established a reputation as a major UK bank, and as the range of facilities continues to expand, we place increasing importance on providing accurate and secure customer service. To achieve this aim we have made significant investments in advanced technology including a phased migration to IBM hardware; we also operate ICL

and Tandem mainframes. In order to meet the needs of this dynamic and fast-moving environment, we are now seeking to strengthen our Computer Audit team by appointing a senior member of the Audit and Inspection Division. You may be a qualified encountant with hes had exposure to computer systems and has a broad understanding of systems development techniques, and who would now like to develop a career in this direction. This is also an exceptional opportunity for someone with a number of years computer audit experience wishing to take the next step up.

Whichever your background, you will enjoy responsibility for ensuring that the Bank's computerised audit systems (existing and those under development), function affectively and comply with acceptable standards. You will also be expected to liaise with senior management, therefore, good communication skills are essential.

Artist all this, if you at a Want even more challenge, Grobank can
offer you excellent opportunities to develop your career in the
Audit, Finance or information Technology areas.

In addition to a highly attractive salary we offer a range of benefits including generous holiday allowance, a contributory index-linked pension scheme and relocation assistance where

Please send a c.v. or talephone for an application form to:

Paul Wilder, Meregernert Appointments Manager, Girobarti, Bridle Road, Bootle, Meregyilde, GIR OAA. Tel: 051-966 2487. **Girobank**

Corporate Planning Manager Based Bristol

A division of British Telecom Enterprise, Telephone Marketing Services is the largest telephone marketing operation in Europe. We are currently at a crucial stage in our ambitious growth plans and are seeking to appoint a Corporate Planning

Reporting to the Finance Director, you will be responsible for providing a systematic approach to the deployment of TMS resources in order to achieve long term objectives. As our Corporate Planner you will be expected to identify, evaluate and select alternative growth strategles,

You are likely to be a highly numerate and analytical graduate with experience of Corporate planning and a business. As this is a new position you will need to be a self starter with the communications skills and expertise to enable you to

influence senior managers within the group. Salary for this position will be up to \$19K geared to experience, supported by the usual large Company benefits and excellent career prospects.

Please write with full CV to Sandra Masters. Group Personnel Manager, Telephone Marketing Services, Middlegate, Whitefrians, Lewins Mead, Bristol BST 2LW.



Major Pension Fund Investment Analyst — **UK Equities**

The assets of the ICI Pension Funds which now exceed £4.5bn are managed by our investments Department located near Covent Garden. We are now seeking an Investment Analyst whose ultimate

You should possess a degree and have at least 1-2 years' experience in the UK securities market. Working in a small team, with a good deal of scope for personal initiative, you will be responsible for giving specialist advice to the Portfolio Manager on individual UK stocks, involving

close contact with companies There will also be the opportunity to become closely involved in the management of one or more smaller pension funds and possibly overseas A competitive salary will be paid to the right candidate.



Please apply in writing to: Mrs D K Cunningham, Head Office Personnel, ICI PLC, I C House, Millbank, London SW1 3JF.



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Seek the world over, you will find the Portuguese are First. Efficiency, Punctuality. Dependability. We are a



We fly the face of History.



Toshiba surmounts sanctions handicap

rushing, one of Japan's leas-ing electronics companies, managed a sharp jump in prof-its in the six months to Sep-tember, despite troubles over the group's violation of restric-tions on Soviet trade as well as the effects suffered from the

Pre-tax profits more than doubled to Y24.98bm (\$175.7m) from Y12.4bm in the same peri-od of last year. Sales were up 9.6 per cent to Y1,283bn.
At the same time, Matsushita
Electric Industrial Co, Japan's

largest electronics company, reported unchanged profits for the six-month period on sales up by 3 per cent.
Toshiba came under direct fire from the US government this year. First, its popular

this year. First, its popular lap-top computers were hit by penalising tariffs by the US as part of a package of trade sanctions in protest against Japan's alleged violation of a pact an semiconductor trade.

Subsequently, Toshiba became the symbol of US anger over its trade imbalance with Japan when it was discovered that Toshiba Machine, one of its subsidiaries, had violated Cocom regulations by selling sophisticated naval equipment to the Soviet Union.

The company said yesterday, however, that exports to North America were only Y20bn short of its estimated sales of Y140hn for the period. About Y180n of the shortfall, it said, was due to the tariffs on lap-top computers. Host of the rest it attributed to its taraished image as a result of the Cocom violation. Toshiba's chairman subsequently resigned became of the ineident.

violation. To shiba's chairman subsequently resigned because of the incident.

The profit impovement, according to the company, was largely thanks to the recovery of semiconductor demand and Toshiba's rigorous cost-cutting exercises of the last year or so. Toshiba has increased its component supreing from outcomponent sourcing from out-side Japan, in line with other leading Japanese electronics

campanies.

The company remains optimistic about continued improvement in sales of semiconductors, communication and ductors, communication and information systems and home appliances, mainly in the domestic market. Exports are expected to be remain under pressure as Toshiba is forecasting the US dollar to fall to about Y135 in the next six

Matsushita meanwhile showed pre-tax profits steady at Y91.55bp for the six months and the second of the second o

largely thanks to steady de-mestic demand.

The company said that prof-its were maintained despite the pressure on exports thanks to rationalisation efforts and terminate on each belonger carnings on cash balances, which more than offset its for-eign exchange lass of Y12.7bm. Exports represented 29 per sent of overall sales, the first drop below 20 per cent since 1880. This was due to the yen's appreciation.

> N.S. Finance Corporation N.V. U.S. \$20,000,000

namated Floating Rate Notes due 1985/6/7/8

For the six months 26th Octo-ber, 1987 to Z6th April, 1988 the Notes will carry an interest rate of 81/6% per amount with a coupon amount of U.S. \$214.45 sayable on 26th April, 1988.

U.S. \$100,000,000 Allied Irist Banks Pic

October 28, 1967

ECU 150,000,000 IRELAND

Floating Rate Notes Notice is hereby given that the Rate of interest has been fixed at 7.6875% and that the nterest payable on the relevant derest Payment Date, April 28, 1988 against Coupon No. 6 in respect of ECU 10,000 nominal

of the Notes will be ECU

Fairfax bid to proceed without Syme spin-off

MR WARWICK FAIRFAX yesterday sent out offer documents for John Fairfax, going ahead with his A\$2.55bn (US\$1.82bn) bid to take the Sydney media at the state of th terday sent out offer documents for John Fairfax, going ahead with his A\$2.55bn (US\$1.82bn) bid to take the Sydney media group back into his family's private domain.

Terms will remain at the orig-

inal A\$8.50 cash per share de-spite the collapse in world equi-ty values since his intentions were first announced. However, he will not now proceed with the planned A\$500m flotation of its David Syme Holdings unit embodying its main newspaper titles - which was to have been a

titles - which was to have been a key part of the funding package for the takeover.

The original offer, through a vehicle called Tryart, for the Fairfax empire involved an alternative of shares in the Syme flotation. That option is missing from the bid lodged yesterday, and Mr Fairfax said the Syme issue had been scrapped 'in view of current market conditions and the strong cash flow of Syme.'

A\$8.50 cash bid.

This is probable as Fairfax shares yesterday drifted down to A\$6.80 in thin trading on Australian share markets. Tryart is already entitled to 42.8 per cent of the company's capital. The National Companies and Secutives Commission, the market watchdog, has approved the variation of the bid, expressing satisfaction that it was no less favorable than the original offavorable than the original of-

Dropping the Syme share alternative will add about A\$2.66 against BRP's closing A\$2.66 against BRP's closing ment of the Fairfax bid, and there is growing speculation to caused turnover in BHP to the contraction of the fairfax bid, and there is growing speculation to caused turnover in BHP to the contraction of the fairfax bid. reinfax empire involved an alternative of shares in the Syme flotation. That option is missing from the bid lodged yesterday, and Mr Fairfax said the Syme issue had been scrapped in view of current market conditions and the strong cash flow of Syme."

He said Syme would remain part of the privatised John Fair-A5725m.

ment of the Fairfax bid, and there is growing speculation that further assets may have to be sold to fund it. Tryart has already agreed to sell the Fairfax magazine division, the daily anstralian Financial Review and the Macquarie radio network among other assets to Mr Kerry Packer and Mr Robert Holmes a Court for about A5725m.

rise to an exceptionally high 42m shares.

Mr Holmes a Court also issued a statement yesterday which said that the cancellation

He was believed to hold 5m

Sydney Morning Herald, The Age (Melbourne) and BRW Pub-

last week by Merrill Lynch. the lead manager, of a AS1bn convertible bond issue for his Bell Resources would not damage his corporate interests.

MIM delays offshoot flotation

BY OUR PINANCIAL STAFF

mining group, also announced that net profits rose to A\$11.69m mines lost A\$10.2m before tax - (US\$8.33m) in the first 12 weeks of this deficit the Newlands

MIM HOLDINGS of Australia is ended September 27 from

MIM HOLDINGS of Australia is to delay the flotation of Highlands Gold, its Papua New Guinea gold offshoot, until the stock market stabilize.

Earlier this month MIM reached agreement with the PNG government on the longawaited launch of Highlands Gold, which has as its major asset a one-third stake in the large Porgera gold deposit in Enga Province.

MIM, a base metals and coal mining group, also announced to hold back group earnings, though, and its three coal

steaming coal mine in Queen-sland accounted for ASS 4m. Sales volumes of copper, sil-ver and lead rose on year earli-

ver and lead rose on year earlier levels, but those of zinc and coal fell. Turnover edged up to A\$315.74ss from A\$31.69m, with other income supplying a further A\$14.49m.

The effect of higher metal prices was flowing into the second quarter, MIM said, noting that while share prices had plunged since September 27, copper prices had flymed and sliver, lead and zinc prices had changed little.

Equiticorp says portfolio protected

BY OUR FENANCIAL STAFF

EQUITICORP HOLDINGS, the New Zealand investment com-pany which has been an aggressive accumulator of equity stakes to spearhead takeover bids in the UK and Australasia, yesterday moved to reassure investors about the durability of its earnings in the face of the global market collapse.

while reporting another strong profit advance for the six months to September, it said in a statement that recent falls in the value of its share trading portfolio were well covered by

Australianbank to be liberalised

REGULATIONS covering Commonwealth Banking Corporation, a commercial bank owned be the first step towards selling shares in the bank to investors

AP-DJ reports from Canberra.

The government has said it will amend regulations to allow the bank, one of the four biggest in Australia, to provide a great-er range of financial services including insurance and invest-

ment consistence and invest-ment consistence.

Mr Paul Keating, the federal
Treasurer, said the moves pro-moted efficiency and enhance the bank's competitiveness.
Commonwealth Bank's directors will be required to prepare a plan defining objectives and strategies and dividend policy.

an investment fluctuation provi-sion created during that period. This provision is more than "this provision is more than sufficient to cover recent reductions in the market value of the group's portfolio," it added, arguing instead that the recent fall in world stock markets had in fact highlighted the strength of its investments.

Holdings in companies in

Holdings in companies including Guinness Peat in the UK had not been greatly affected, the group said. "Recognising the underlying profitability, strength and asset backing of the strength as the

these companies, they will retain their long-term value."

Equiticorp, beaded by entrepreneur Mr Allan Hawkins, said it was in a liquid position worldwide, had deposits and unused bank facilities, and was well placed to take advantage of construction.

In the first half-year, net prof-it jumped 72 per cent to NZ\$55.24m (US\$35.8m) com-pared with NZ\$32.08m. The in-terim dividend is being main-

U.S. \$100,000,000

Floating Rate Participation Certificates Due 1992 issued by Morgan Guaranty GmbH for the purpose of making a loan to

> Istituto per lo Sviluppo Economico dell'Italia Meridionale

fa maturary body of the Republic of Italy Incorporated under Law No. 29t of April 11, 1953)

In accordance with the terms and conditions of the Certificates, the rate of interest for the Interest Determination Period 28th October, 1987 to 30th November, 1987 has been fixed at 711/16%. Interest accrued for the above period and payable on 29th January. 1988 will amount to US\$70.47 per US\$10,000 Certificate.

Agent
Morgan Gustranty Trust Company of New York
London Branch

This announcement appears as a matter of record only

D.M. 75.000.000 Project financing for the supply of a polypropylene plant to Tiszai Vegyi Kombinat, Leninvaros, Hungary

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Banco di Santo Spirito, Banco di Sicilia. Cassa di Risparmio di Roma, as periocento coordinated by Citibank, N.A.

through its Brussels, Budapest, Milan and Vienna branches and Offices international lease agreement between

Citilease S.A., Brussels, as lessor TVK and Chemokomplex, Budapest, as lessee repaid through a partial buy-back of the product made by Montedison Intertrade A.G., Zug supported by a performance and delivery guaranty issued by National Bank of Hungary

project financing structured and arranged by Citicorp Leasing GmbH, Vienna and Citinvest S.p.A., Milan

CITICORP O INVESTMENT BANK

Under the provisions of the Financial Securities Acc, the Enforcement Division of TSA will be responsible for monitoring members compliance with the Association's rules. We are, therefore, increasing our teams of inspectors to meet the challenge of regulating the financial activities of member firms.

You will be either a recently qualified accountant or an accountant, lawyer, or chartered secretary, with up to three years experience.

ACCOUNTANTS, LAWYERS AND CHARTERED SECRETARIES

Examine the financial activities of

Investigate and seek to resolve

■ Monitor their conduct of business

Working as part of a closely knit team of five you will need to have an eye for detail. strong interpersonal skills, be diplomatic and thrive on pressure. in short this variety and challenge requires people of the highest calibre. Salary will be negociable and benefits will include non-contributory pension scheme,

free travel and BUPA with relocation where necessary. Please write with full CV to:-

Edward Geraghty, Recruitment Officer, The Securities Association Limited, The Stock Exchange Building. London EC2N IEQ. Tel: 01-256 9000 Ext. 28973

Compliance

The recent development of regulation and compliance has had a major impact on all City institutions. Michael Page City has substantial experience in this new field. Paul Wilson is our consultant who specialises in this area and would be delighted to advise clients on their current or future staff requirements. Additionally, he would be delighted to talk to individuals, especially ACA's, lawyers or practitioners who are considering a career move in this area.

Please write to Paul Wilson at Michael Page City, 39-41 Parker Street, London WC2B 5LH, or telephone him on 01-404 5751. Confidentiality is of course assured.



Michael Page City

International Recruitment Consultants A member of Addison Consultancy Group PLC

Hoggett Bowers plc

CITY DIVISION

Marketing/Relationship Manager

cled

A rapidly developing financial institution requires an individual to market a range of products to UK Corporates and to act as the client contact point. Hashe should have at least five years city experience preferably with a foreign exchange beckground. **US Equity Sales**

Prestigious US stockbroker with UK Merchant bank support has opportunity for two high califies individuals to join a sees Landon team to sell US equities to UK institutional clients. These positions offer first class career opportunities within an expending operation and will involve a 6-9 months initial period in New York. These is an attractive profit related bonus scheme.

SENTOR SATECHAN

SENIOR SALESMAN

Candidates should be in their late twenties with at least two years experience of selling equities, preferably US, to UK institutions.

Craduate with two years plus working experience with a financial institution, he/she should have some knowledge of the US market but not necessarily directly related to the equity market.

Corporate Financies

Corporate Finance Practitioner, with a minimum of 3 years experience working at the sherp end of Corporate Finance is sought by this prims City based benk. You would be working at Senior Manager level and be seeking a move to Assistant Director level. Experience must include mergers and acquisitions, floiations, capital/fund mising, right issues etc. The position offers excellent potential for the future.

Financial Analyst

\$30,000

A rinancial randyst is sought to statives maintest and commercial data on companies and industries, preparing reports and making presentations by a leading City based bank. The successful candidate will have a minimum 211 degree in a numerate subject, and have an analytical background in a financial survivonment and an understanding of mergers and acquisitions. Prospects are excellent, Accountant-Life Insurance

A major Financial Services Group seeks a qualified A.C.A. with experience in Life insurance. Suitable candidates, whether recent qualifiers or with several years working in the industry will be offered a package commensurate with the range and depth of their Account Officer

This prime, rapidly expanding European bank based in the City, wishes to recruit an Account Officer. Prime responsibilities will be developing new business in addition to maintaining on-going relations. The successful candidate will be aged late 20 's'early 30's, with a minimum of 2 years UK marketing experience. Prospects are

Staff Benefits/Pension Specialist £16,000 - £18,000

A blue chip American bank is looking for a specialist in pensions with preferably some knowledge of other staff benefits. This is a non administrative position which will involve Pension Fund Trustee meetings, negotiating health insurance stc.

01-588 4305/6 Moorgate Hall, 153/157 Moorgate, LONDON EC2M 6XB.

INVESTMENT BANKING Interest Rate Swaps

The Bank of Nova Scotia has career opportunities available in its Investment Banking Division - Interest Rate and Currency Swaps. Opportunities exist for candidates with a minimum of 18 months previous experience in the area of interest rate and currency management products seeking to further develop a career in this exciting field of financial innovation.

Candidates should possess strong academic qualifications, a high level of numeracy and ideally, developed skills in computer assisted financial model building. Fluency in a second language would be an added asset.

An attractive compensation package, commensurate with experience will be offered to successful candidates.

Please forward your resume in the strictest confidence to: Mrs Gillian Harris, Manager, Personnel, The Bank of Nova Scotia, 33 Finsbury Square, London EC2A 1BB.

Scotiabank 9



CONSULTANT NEEDED

For edible oil, oil cake, oil seeds and tropical products.

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CONSIDERING & CHANGE? if you are an experienced equities or futures trader, dealer or salesman, laving a "clay wise" agent in your corner will give you she

where against the state of the 01-631, 3275 ALEXANDER HANN ASSOCIATES

Appointments **...** Wanted

MINERAL ECONOMIST

Graduate, 10 plus years experience it mineral economics with well-known organisation, background in precious and ferrous commodities, seeks a suitable position. Peoples to, Box No. ACTOS. Financial Time 10 Carriot Birms. London ECAP 48V

CAPITAL MARKETS

EURO-DOLLAR CONVERTIBLES TRADER

Required by major US Securities house. Minimum 18 months experience in Euro-Dollar or Sterling Convertibles Trading.

EURODOLLAR SALES

Required by UK merchant bank. Minimum three years experience of sales of Dollar products.

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Required by several clients. Minimum two years experience of multicurrency Eurobond sales.

INTERNATIONAL EQUITIES

EUROPEAN EQUITY SALES/ANALYSIS

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EQUITIES TRADER Required by major US Securities house to trade UK. European and Australian equities. Minimum three years experience. Aged late twenties.

> **UK EQUITY SALES** TO SCANDINAVIA

Required by major UK merchant bank. Minimum three years market experience is essential.

For further information please contact:

LOUISE GORE

01-929-1212 (24 Hours)

THE ROGER PARKER ORGANISATION

BUNGE HOUSE, ST MARY AXE, LONDON EC3A 8AT



RECRUITMENT CONSULTANTS GROUP

£40,000 - £70,000 + BANK BENEFITS

3 London Wall Buildings, London Wall, Landon ECSM SPJ Tell 01-5883588 or 01 5883576 Telex No. 887374 Fax No. 01-256 8501

An interesting and secure appointment - Scope exists to move to a more Senior Director position within 2-4 years.

PENSIONS MARKETING DIRECTOR - FUND MANAGEMENT

CITY

MAJOR INTERNATIONAL INVESTMENT HOUSE

Applications are invited from candidates aged 35-50 with a minimum of 4 years' experience in either pension fund investment in a large company, or public authority, or with a knowledge of global or particularly Japanese equities in an investment house. The successful applicant will be responsible for marketing the specialist pension fund management service to UK pension funds and pension consultants. There will be support from the marketing division in making initial contacts and the Pensions Marketing Director will need to follow up contacts to secure new business through presentations at a senior level and giving talks at seminars, with some time spent in the field. This position calls for exceptional presentation skills and an outgoing personality. Initial remuneration negotiable £40,000 - £70,000, + bonus, car, mortgage subsidy, non-contributory pension, free life assurance, and family medical insurance. Applications in strict confidence under reference PMDFM4550/FT to the Managing Director:- CJA

Senior position in a well-known group with scope for equity participation in the short/medium term.



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CITY

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3 LONDON WALL SUILDINGS, LONDON WALL, LONDON EC2M SPJ TELEPHONE: 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501 ORGANISATIONS REQUIRING ASSISTANCE ON RECRUTIVENT: PLEASE TELEPHONE 01-428-7539.

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Bankers Trust is a highly innovative merchant bank operating at the forefront of international banking. We have an excellent reputation built upon a forward looking strategy and, importantly the highest calibre people.

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We need a telented professional to develop and service the real estate investment requirements of our private clients. You will be responsible for generating new business. And reviewing financial and credit risks on both principal and investment properties to determine the You must have a minimum of 2-3 years experience

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you to work effectively with our private clients. You must be highly motivated and well organised. We offer a competitive compensation package together-

with the usual banking benefits. For further information or a confidential discussion

please telephone Donna Marcus on 01-382 2266 or send your CV to her at Bankers Trust Company, Dashwood House, 69 Old Broad Street, London ECTP 2EE.



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For further information call 01-248 8000. Tessa Taylor ext 3351 Deirdre Venables ext 4177

Paul Maraviglia ext 4676 Elizabeth Rowan ext 3456

OIL SECTOR ANALYST A major European financial Institution with a rapidly expanding market presence in the UK, wishes to appoint an analyst to be the right hand of the

division's director. It is planned for this team to become one of the top rated in the oil sector. therefore requiring them to locate an individual with intelligence and creativity who would feel comfortable operating in an environment of individual initiative.

You should have several years experience in stockbroking, analysing the North Sca and Gulf regions and a sound understanding of British and overseas corporations in these markets. A formal accountancy training would be most desirable.

If you are a highly motivated and successful oil analyst with a flair for original research coupled with a quick brain and sense of humour, we would be delighted to hear from you.

Please apply

JONATHAN HEAD on 01-130 1551/2653 or write Executive Selection Division, 9 Brownlow Street, in confidence to: Halburn, London WC1V 6JD.

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Samuel Montagu & Co. Limited - the merchant bank within Midland Montagu - is now recruiting additional executives for its expanding Special Business Unit.

ORPORATE FINANCE

Samuel Montagu formed its Special Business Unit a year ago to provide corporate finance advice to new and developing companies. The Unit operates as an integral part of Samuel Montagu's successful corporate finance division. If you already have two years' corporate finance experience in a merchant bank or stockbroker, and would like to find out about the career prospects that the Special Business Unit can offer, please write with full personal and career details to:

Malcolm Davidson, Director, Samuel Montagu & Co. Limited, 10 Lower Thames Street, London EC3R 6AE. Telephone 01-260 9440.

SAMUEL MONTAGU & CO. LIMITED

LEATHER TECHNICIAN/ MARKET MAN

YOU WILL BE-Ideally late twenties/early thirties

Fully experienced in implementing and supervising latest technology in tropical areas

Fluently multilingual including Arabic

Have proven experience in bovine/small skins and reptile fields

Resident in UK and be available for extensive travel worldwide (sometimes for extended Stays).

benefits commensurate to this important appointment are available to the right Applicant. Write box A0704, Financial Times, 10 Cannon Street, London, EC4P 4BY

A salary and peripheral



CORPORATE TREASURY MANAGEMENT CONSULTANTS

When it comes to Management Consultancy, few names are as well known or as well respected as Peat Marwick McLintock.

Our success is based on the calibre of our people and, right now, we are looking for Corporate Treasury Management Consultants with the acumen, personal skills and ambition to make a real contribution to our growth.

Our treasury management group comprises a team of specialists with international expertise across a wide spectrum of industry sectors in organisations ranging from multinational corporations to smaller private companies With at least three years experience gained in the treasury department of a leading corporate, you

will have a good first degree and probably an accounting, banking or ACT qualification. As important, however, is your energy, enthusiasm and ability to communicate lucidly with clients. In addition, you must be in touch with today's business climate and have the confidence to deal with senior management in a broad range of industries.

In return, we offer excellent prospects in an ideal environment for you to make your mark, and we will reward you with a very attractive salary and benefits package.

Please write with full career details and remuneration history to: Mike Coney, Recruitment Manager, quoting reference TM/OC7.



KPMG Peat Marwick McLintock

Management Consultants

1 Puddle Dock, Blackfriars, London EC4V 3PD



GILT ANALYST

A leading UK stockbroking firm with an enviable City reputation offers a challenging career to an ambitious Economist/Mathematician. Providing detailed research on Gilts/ International Bonds for both the sales team and clients, an articulate, young individual is sought with an exceptional academic background and experience of analysing Bonds in a stockbroking/investment banking environment.

The leading new securities arm of a powerful International Investment Bank providing global services of the very highest quality, seeks to appoint high calibre individuals in the

With at least two years' experience of Gilt Sales to Institutions, applicants will have established a remarkable record of achievement in this field and can expect rewards that match their ambitions and that reflect the importance and status the bank attaches to this position

If you are able to meet the above criteria, please contact Daniel Berry on 01-929 2383 or send a full CV in strictest confidence to Reed City, Fourth Floor, 1 Royal Exchange Avenue, London EC3V 3LT.

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

SECURITIES SETTLEMENTS **ASSISTANT DIRECTOR**

c£40,000-£50,000 + Car

A prestigious UK Merchant Bank seeks an experienced Settlements Manager with a banking or stockbroking background. Their ideal candidate will be self-motivated and passess well tested organisational skills, with the flair to lead a team of around twenty people. The job entails taking complete responsibility for all settlement and operational procedures for equaties and fixed interest securities. Applicants should be skilled man-managers exhibiting the potential to take on further responsibilities as the bank's trading activities continue to increase.

MARKETING OFFICER

A well known European Sank, with an energetic commercialicorporate banking unit, is seeking an additional business development officer. Condidates should possess about eighteen months experience in a business generating role, have sound creditinsk analysis skills, be educated to degree level, and be in the age range 25-32. This bank has a diverse lending portfolio and seeks to turther strengthen the side of its activities by recruiting an entrepreneurial and ambitious young banker. Please contact David Little or Keith Sneigrove

TRUST OFFICER — ISLE OF MAN

A major Merchant Bank, with world-wide connections, wishes to recruit a trust officer with previous "offshore" experience to help develop its late of Man operations. Probably possessing the A.I.B. trustee diploma, the Ideal candidate, capable of trust formation and administration, will be the kind of opportunity seeker able to travel and bring turther new business to the firm. Piecasa confact David Little

> Ridgway House 41/42 King William Street London EC4R 9EN Telephone 01-626 1161

Capital Markets

Head of Bonds

The London branch of a leading Scandinavian Aged 30-40 you will have several years' bond bank acts as the autonomous centre of their global capital markets activities. Strongly committed to developing their presence in this area, the bank now seeks to recruit a Senior Manager - Bond ·Trading with responsibility for the dealing operation.

As a member of the senior management team you will be required to help formulate and implement overall strategy and define parameters in addition to an active trading role. Your responsibility will also include the recruitment and management of staff as the team grows.

trading experience, and a flexible approach which will allow you to adapt with the changing markets. Your experience in management and leadership skills will enable you to develop a highly successful and motivated trading team.

The position offers excellent prospects to the right candidate and a negotiable salary package. To apply please telephone or write in complete confidence to Caroline Humphreys of Crippe, Sears & Associates Ltd., Personnel Management Consultants, International Buildings, 71 Kingsway, London WC2B 6ST. Telephone: 01-404 8701.

Cripps, Sears:

Hoggett Bowers plc

Marketina/Relationship Manager

To £50,000

A rapidly developing financial institution requires an individual to market a range of products to UK Corporates and to act as the client contact point. He/she should have at least five years city experience preferably with a foreign exchange background. **US Equity Sales**

Prestigious US stockbacker with UK Merchant bank support has opportunity for two high calibre individuals to join a new London beam in sell US equities to UK institutional clients. These positions offer first class career opportunities within an expanding operation and will involve a 6-9 months initial period in New York. There is an attractive profit related boms scheme.

£20.000-£25.60 Graduate with two years plus working superismos with a financial institution, be/she should have some knowledge of the US market but not necessarily directly related to the equity market.

Corporate Financier \$35,000, Car Corporate Finance Practitioner, with a minimum of 3 years experience working at the sharp and of Corporate Finance is sought by this prime City based bank. You would be working at Sanior Manager level and be seeking a move to Assistant Director level. Experience must include mergers and coquisitions, flotations, capitalfund raising, right issues etc. The position offers excellent potential for the future.

Financial Analyst

A Financial Analyst is sought to analyse financial and commercial data on companies and fodustries, preparing reports and making presentations by a leading City based bank. The successful candidate will have a minimum 2ii degree in a numerate subject, and have an analytical background in a financial environment and an understanding of mergers and acquisitions. Prospects are excellent,

CITY DIVISION

\$30,000

Accountant-Life Insurance **£Neg** A major Financial Services Group seeks a qualified A.C.A. with experience in Life insurance. Suitable candidates, whether recent qualifiers or with several years working in the industry will be offer a package commensurate with the range and depth of their

Account Officer

£20,000 This prime, rapidly expanding European bank based in the City, wishes to recruit an Account Officer. Prime responsibilities will be developing new business in addition to maintaining on-going relations. The successful candidate will be aged inte 20's/early 30's, with a minimum of 2 years UK marketing experience. Prospects are

Staff Benefits/Pension Specialist \$16.000 - \$18.000

A blue chip American bank is looking for a specialist in pensions with preferably some knowledge of other staff benefits. This is a non administrative position which will involve Pansion Fund Trustee meetings, negotiating health insurance str.

01-588 4305/6 Moorgate Hall, 153/157 Moorgate, LONDON EC2M 6XB.

Manager

Fixed Income Portfolio Management

The Company

A major player in international Capital markets investment management with funds under discretionary management by the Group exceeding \$5

The organisation maintains a three-fold market presence by running proprietary accounts on an in-house basis, a client advisory and a discretionary Portfolio Management Division.

The Position

Will involve running a small team of individuals who manage funds invested in multi-currency fixed rate bonds and equity linked securities.

The Individual

Will be a people orientated manager with experience of running income portfolio and looking for a greater challenge within the management/portfolio area. Age 27/34.

The Rewards

Will comprise a basic salary, incentive bonus, car and the usual fringe benefits associated with a position of this calibre.

Interested candidates should contact Paul Boucher on 01 248 3653 during office hours (01 407 2473 evenings/weekends) or send a detailed Curriculum Vitae to the address below. All applications are treated in the strictest confidence.

60. Cheapside. London EC2V 6AX



Telephone: 01-248 3653

MIDDLE EAST MARKETING AND SALES

Gilbert Eliott

Institutional Sales — U.K. Convertibles

The recent expansion of our convertible services has created the opportunity for a number of additional sales staff to join a highly professional team with excellent technical support. While experience in the sector would be an advantage this should not deter anyone with a sound background in either fixed-interest or equity markets from applying.

Please write in the first instance to:-Diarmid Glencairn-Campbell, Gilbert Eliott & Co., Salisbury House, London Wall, London EC2M 5SB.

Telephone No: 01-628 6782

National Firm of Stockbrokers require EXPERIENCED SETTLEMENT STAFF

Due to continued expansion, experienced staff are required in various departments of the Cardiff division of the National Investment Group PLC.

> Please contact the Administration Director at: Lyddon, 113 Bute Street, Cardiff CFI 10S

> > Tel: 0222 473111 Ext 266

INVESTMENT MANAGER

Glasgow Investment Managers is the Investment Management subsidiary of Edinburgh Financial Trust plc. We manage portfolios for Unit Trusts, Pension Funds, Private Clients, a listed Investment Trust and a Life Assurance

As a result of our success in securing new clients we now wish to recruit an Investment Manager to join our team. Applicants should have a good University degree or equivalent and two to three years' appropriate experience in an Investment Management Company, Merchant Bank, Stockbroking Firm or Life Assurance Company.

Experience of making and accounting for investment decisions, the capacity to contribute to the development of our investment thinking and the ability to express ideas clearly are the principal attributes we seek.

After an initial period of familiarisation with Glasgow Investment Managers' approach, the new Manager will be granted specific responsibility for client portfolios. The prospects are outstanding for a person who wishes to participate at an early stage in a successful and growing business.

The candidate selected will receive a competitive salary and attractive non-salary benefits, including the possibility of equity participation.

Applications, together with a full curriculum vitae, should please be made in writing to:-Juanita Stanley (Ref. IM/FT10)



Investment Director Glasgow Investment Managers Ltd 29 St Vincent Place (Third Floor) Glasgow G1 2DR

GLASGOW INVESTMENT MANAGERS LIMITED

CONSULTANTS IN RECRUITMENT



Opportunities in the International Financial Services Centre in Dublin

Gandon Holding Company plc is a new financial services group backed by 25 major Irish and foreign institutions. It aims to become a significant publicly-quoted European financial institution with a reputation for excellence. It will have a 45% shareholding in J & E Davy, Ireland's largest stockbroker. Its main subsidiary, Gandon Securities Ltd. which will have an initial equity base of IEP 33 million, will operate in the International Financial Services Centre in Dublin and will trade as principal in international financial markets and provide rate risk management and securitisation

Gandon is founded on the principles of employing only the most talented and energetic people and rewarding them fully for their contribution to the company. It believes that the quality and effectiveness of the support team is as vital to the success of the business as the calibre of the front office team. For people who make an outstanding contribution to Gandon, the rewards will include equity participation. The first stage of Gandon's team-building - the selection of its key business transactors - has now been completed. The next stage is the recruitment of key support staff. Each appointment listed here offers a unique opportunity for a person who has excelled in his/her career to date to be involved at an early stage in the growth of this dynamic company. The successful candidates will have the flair and adaptability to operate in a fast moving and changing environment and will need a high level of self motivation, professionalism and self confidence.

Financial Controller

The responsibilities of this position will involve establishing Gandon's accounting olicies and procedures, active participation in the installation of computer sy supervision of the day-to-day booking of transactions, provision of management information on a daily basis and preparation of management accounts and final accounts. The Financial Controller will report to the Chief Executive and will be expected to contribute to the strategic development of

Candidates must be qualified accountants and have at least 5 years post-qualification experience. Preferably, this experience should be in the financial services sector but greater emphasis will be placed on overall ability than on directly relevant experience.

Internal Auditor

Reporting to the Group Board, the person appointed will be responsible for setting up and monitoring a comprehensive system of internal controls and standards. The successful candidate will be a qualified accountant and have substantial internal audit experience preferably in the financial services industry.

From the outset, Gandon will have a catefully thought out and rigorously implemented approach to quantifying and managing the market risks arising from its trading and customer activities. A numerate energetic and independent-minded individual is sought to take responsibility for implementing and continually developing the company's rate risk manageme olicies. He/she will report to the Chief Executive.

Successful candidates will have an interest in financial markets and an honours mathematics degree or actuarial qualification. Provided the candidate can demonstrate the right qualities, the type of previous work experience is not crucial.

Head of Operations

Reporting to the Executive Director-Operations, the Head of Operations will have responsibility for managing the day-to day back office functions of the company. In addition he/she will be part of the team responsible for developing and installing the initial support systems. The ability and experience to manage and

motivate staff and to support a dynamic and changing environment are essential. The successful candidate will have at least 5 years experience in a senior operations

Head of Corporate Research

The Corporate Research unit will conduct indepth research into the financial services industry worldwide and into all banks, brokers and customers with which Gandon deals. The objectives of the unit are credit analysis of Gandon's counterparties, opportunity identification for Gandon's services and input into Gandon's strategy for growth in the international financial services

The Head of Corporate Research will report to the Chief Executive. Candidates must have a good appreciation of trends in the international financial services industry gained through a career in the industry spanning at least 10 years and must have strong credit analysis skills.

Head of Systems

Reporting to the Executive Director -Operations, the Head of Systems will be ponsible for the implementation, support and enhancement of all PC and mainframe based systems for both front and back offices.

The successful candidate will be an experienced systems professional with a proven track record in project implementation in a Banking of Treasury environment. Specific experience in implementing one of the leading banking

If you would like to be considered for any of these positions please send your career details before 13th November to: Tim Brosnan, Chief Executive, Gandon Securities Ltd., 5th Floor, St Stephens Green House, Earlsfort Terrace, Dublin 2.

GROUP TREASURER

London

 $T_0 £33,000 + Car$

Having an annualised turnover of nearly £1 billion and substantial profit growth (72% higher in the first half of 1987 compared with 1986) we are in need of a capable treasurer to guide us in optimising our resources.

Our core business currently revolves around our involvement in the motor trade (both here and in France) but we have an ambitious manifesto to further our distribution and retailing activities into other industries.

Consequently we are seeking a qualified accountant with treasury experience in a bank or multi-site corporate environment who should be able to relate well both to our banks (a £100 million 5 year MOF was signed in May 1987) and senior line management.

If you consider you are appropriately qualified and are in the age range 28-42 please write enclosing a detailed CV, (including salary) to:-

Peter Caney FCA, at 1 Lygon Place, Ebury Street, London SWIW OJR

Tozer Kemsley & Millbourn (Holdings) plc



Head of Swaps Settlements £25,000

+ Bonus + Car + Benefits

Our Client, a subsidiary of a major European Bank, is expanding it's Capital Markets SWAPS Division and now requires a dynamic and experienced individual to set up and manage the SWAPS

Successful candidates will have a sound knowledge of the entire SWAPS arena, which will have been gained over a minimum period of 2-3 years, plus the personal qualities necessary to lead and motivate an expanding team.

For initial interviews please contact Andrew Bartlett at

CITY RECRUITMENT CONSULTANTS. 58 Houndsditch, London EC3A 7DL. Tel.: 01-283 8787.

STERLING BONDS

Ouadrex Securities, a rapidly growing Financial Services Group, have opportunities for salespeople who are creative and have experience in the distribution of Gilts, Debentures, Preference Shares, Bulldogs and Euro Sterling Bonds.

We are adding to an entrepreneurial team with flair to service Domestic and International Clients.

Rewards will be commensurate to production and fringe benefits are available. Please send your curriculum vitae which will be treated in strict confidence to:

Michael J Thompson, Quadrex Securities Limited, 80-82 Regent Street, London WIR 6QX



Quadrex Securities Limited

PENSION FUND INVESTMENT MANAGEMENT

£21,000 + Car + Benefits nternational equity investment management within a small inhouse team, being equipped with state of the art dealing and research technology. Working within a quantitative and perform-

THE LOCATION: REQUIREMENTS:

THE JOB:

with funds approaching £400 million. Halifax - Commuter-free and outstanding value-for-money housing.

ance orientated environment for the World's No. 1 Building Society

Late twenties, graduate and/or professionally qualified, at least three years experience managing/researching equities, preferably includng international markets.

Competitive salary, company car, subsidised mortgage, BUPA, life THE REWARDS: assurance and removal package.

> Please apply (reference PF) with a full cx. to: General Manager, Personnel and Services, Halifax Building Society, Trinity Road, Halifax HX1 2RG, West Yorkshire.



Leading foreign exchange and currency brokers are looking for

Trainee Dealers

Applicants should have a good personality, a good mathematical knowledge and be aged between 18 and 24 years.

Write with full curriculum vitae to:

Mr. J. R. Ruddy R. P. MARTIN PLC 4 Deans Court, London EC4V 5AA

Closing date for applications is Friday, 20th November, 1987.

> International Account Representative

A vacancy has arisen within our Company for an International Account Representative who must be resourceful, and able to analyse situations accurately, and implement decisions. We require the applicant to have three to five years of international management, with proven skills in supporting and developing new opportunities. Knowledge of publishing and European languages is a definite plus. Please apply with CV marked private for the:

Personnel Manager Aldus Europe Limited Craiggrook Castle Craiggrook Road EINNEARCH EHA SUH

Business/Research Analyst Mining Industry Research and Consultancy

Independent, International consultancy with a multi-disciplinary approach to metal market and related business analysis has an immediate requirement for a recent graduate to contribute to our work on competitive strategies in the mining industry.

The successful candidate will be able to analyse data from a wide variety of sources and have excellent writing skills, Familiarity with computer providence and database applications will be a distinct advantage.

Send applications, with curriculum vitae and example of written work to:

HUW ROBERTS etals and Minerals Research Service Ltd, Outer Temple, 222-225 Strand,

MANAGING DIRECTOR

Sought for Sewing Thread Company based in North West. Turnover currently in the region of £6 million with great potential excellent salary and benefits for the successful applicant. Write box A0708, Financial Times, 10 Cannon Street, London, EC4P 4BY.

Highly Competitive Salary

DFM

and Bunefits Package Are you using your City financial marketing skills to best advantage?

PHILLIPS & DREW FUND MANAGEMENT LTD (PDFM) is one of the UK's largest fund management groups. As part of our continued expansion, we wish to recruit a Marketing Co-ordinator to assist our directors and executives in marketing our services to

Your responsibilities will include managing our advertising and conference activities, co-ordinating our internal communications and media contacts and assisting with the development of new business.

Ideally aged around 30, with highly developed communication skills, you will have a background either in financial services, or marketing combined with fund management experience. The remuneration package includes a highly competitive salary as

well as bonus, mortgage subsidy and other City benefits. If you have the motivation and professionalism to respond to this challenging position, send your cv to:-

Isabel Doverty, Recruitment and Development is Phillips & Drew Limited, 120 Moorgate,

London EC2M 6XP

Tolophone 01-628 4444 A MEMBER OF THE UNION BANK OF SWITZERLAND GROUP.

BANK LENDING

MARKETING EXECUTIVE FOR BUSINESS DEVELOPMENT

> Salary negotiable circa £20,000 plus car, other benefits and bonus potential

Greyhound Guaranty Limited, a wholly owned subsidiary of The Greyhound Corporation is a London-based bank undertaking consumer finance and commercial lending in the property and business sectors. It is seeking to add to its marketing team an active and enthusiastic individual who will personally undertake new business development. The job requires good negotiating skills together with a sound general banking background, including credit ssment experience.

Applicants for this position should send details of their qualifications and experience indicating current salary to Ms. P. Taylor, Human Resource Manager, Greyhound Financial Services Limited, 11 Albermarie Street, London W1X 3HE.

GREYHOUND.



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CORPORATE **BANKING EXECUTIVES**

Interested in working for a rapidly developing Scottish Bank which can offer exciting career paths to strong performers? The continuing expansion of the Bank's industrial and commercial customer base has created opportunities for bright ambitious individuals to join our Corporate Banking Department in

The successful candidates in the 25-32 age range, will be graduates or have an AIB qualification, with a background in the marketing of financial services. They will have excellent analytical and communication skills, be self-motivated and have experience in business development and negotiating with clients at a

The salaries for the appointments will be commensurate with the qualifications of the successful candidates and will be supplemented with the usual benefits associated with a major

Written applications with CV should be addressed to:
Mr A D Scott, Head of Personnel, TSB Scotland plc,
Head Office, PO Box 177, Henry Duncan House,
120 George Street, EDINBURGH EH2 4TS Closing date for applications: 11th November 1987

Lurrency Consultant

Corporate Treasury Services
City to £24,000 plus car

This independent, long established and professional financial institution provides a wide range of innovative financial services. One of these is the provision of a currency management service to a broad cross-section of corporate clients. There now exists an outstanding opportunity to join this

Group as a Currency Consultant Reporting to the Currency Services Manager, the successful applicant will be responsible for the day-to-day contact with clients regarding movements in the loreign exchange markets, forecast changes and economic factors. You will also advise clients on exposure hedging strategies and provide a currency dealing service to implement policies.

Applications are invited from candidates, aged between 25 and 35, who possess the relevant experience in a corporate treasury or financial services environment and can demonstrate excellent inter-personal skills. A financial qualification would be an advantage.

The excellent remuneration package includes a company car, bonus scheme, contributory pension and health insurance. Prospects for career progression are only limited by personal

Interested candidates should send a comprehensive curriculum vitae, enclosing details of current salary and a daytime telephone number, quoting reference LM629 to Andrew Sales FCCA at Spicer and Pegler Associates, Executive Selection, 13 Briston Street, London WIX7AH.

Spicer and Pegler Associates **Executive Selection**

BANK OF WALES FINANCIAL CONTROLLER

The continuing expension and ongoing development of this successful group has created the need for a high calibre Chartered Accountant for this challenging position having experience in a banking

Based at the Head Office of the Bank in the centre of Cardiff the successful applicant will head a small team responsible for the production of statutory aunual and half-yearly accounts, management and accounting information, returns and reports for monthly meetings of Directors and will be closely involved in the development and implementation of new accounting procedures and controls in an expanding group.

A member of the Bank of Scotland Group, Bank of Wales retains its own listing on The Stock Exchange and has gross assets in excess of £115M.

The remaneration package offered will be urate with the qualities demanded and will include profit sharing, share options and mortgage subsidy.

Please write in confidence with full CV to:-

Mr G Rees, FCA Company Secretary Bank of Wales PLC 114/116 St Mary Street CARDIFF CFI IXI



FLEMINGS STOCK EXCHANGE **EQUITY TRADERS**

Due to Flemings' expansion, opportunities have arisen for experienced equity traders. The successful candidates preferably aged 20-30 should have a minimum of 2 years' Stock Exchange trading experience in Securities.

A full salary package commensurate with relevant experience is available.

Applicants of either sex should write enclosing their CV to:-

Frank Smith ROBERT FLEMING & CO. LIMITED 25 Copthall Avenue London EC2R 7DR

GILTS SALESMEN COMPETITIVE PACKAGE

Due to the growth of activity in the Gilts market and an increase in the demand for experienced staff, we are actively seeking Gilts Salesmen at

Several of our clients, major U.K. market players, have immediate opportunities for applicants with a minimum of 5 years experience and would welcome applications from Salesmen currently at Assistant Director

Please contact Carolyn Obbard on 588 4224. All applications will be treated in the strictest

BIRMINGHAM SENIOR SETTLEMENT STAFF

us benefits will depend on age and exp

Applicants will be treated in the strictist of confidence and should be in

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the Bank's Omani staff.

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Television/Christopher Dunkley

Awards for helping others help themselves

On the one hand there are, of course, too many television awards. If the BAFTA Awards, the RTS General Awards, the RTS Journalism Awards, the Broadcasting Press Guild Awards, the TV and Radio Industries Club Awards, the TV Times Awards, and the Writers' Guild Awards were amalgamated the result would surely be a single set of awards for which recipiresult would surely be a single set of awards for which recipiset of awards for which recipi-ents and public might have con-siderable respect. But that is in sheer quantity of programmes the area of general awards.

siderable respect. But that is in the area of general awards.

On the other hand the proliferation of specialised awards - for programmes about medicine, wildlife, science fiction, and dozens of other categories - may well be a good thing. The idea here is to raise standards in specific areas and broaden public awareness of particular topics, and since this column results from yet another such set of awards, it could be argued that the process is clearly working to some extent at least.

The One World Broadcasting Trust (OWBT) is an organisation set up as a charity earlier this year with the purpose of promoting greater understanding between reviewed in this column. But there was so much more. Entries varied from two flue points of the procession and critics tend to assume they have a pretty shrew tidea of what is happening in their area, how adays you can spend 30 or 40 hours a week watching television and still have only the sections at least of course I had already seen some of the entries from big-bud-gets produced by major broadcasters, such as Central's produced by major br

some extent at least.

The One World Broadcasting Trust (OWBT) is an organisation set up as a charity earlier this year with the purpose of promoting greater understanding between the peoples of the developed and developing countries through broadcasting and related educational activities. The patrons include such luminaries as Lord Bonham Carter, former vice chairman of the BBC, Sir Shridath Ramphal, secretary general of the Commonwealth Secretariat, and Lord Seebohm, former at, and Lord Seebohm, former chairman of Barclays International and the Rowntree Trust. The director is Johnny Wilkinson, who began his career with the Nigerian Broadcasting Corpo-ration, moved to the BBC World Service, and spent nearly 10 years as the BBC's Director of Public Affairs.

Public Ariairs.

Noting that "the provision of training for third world broadcasters has steadily diminished over the last 30 years", the OWBT declares that it aims in the long term to give financial support to projects that will improve programme quality through the provision of seminars and professional training for broadcasting staff from denars and professional training for broadcasting staff from developing countries, and through measures that will improve professional understanding and co-operation between them.

its first public act has been to organise an annual symposium where awards will be presented

for a Glyndebourne sudience to mingle argumentatively after a performance with the locals in Lewes (even though some of

those will have got into the dress rehearsals); nor is there a Wex-ford parallel to the smugly re-spectful confidence of a Glynde-

hourne audience - even if more

and more of that audience are uncertain what they're watching or who composed it, until at least the end of the dinner-inter-

this column. But there was so much more. Entries varied from two Blue Peter extracts (one six and a half minutes, the other three and three quarters) following up the Ethiopian famine, via a 25-minute Open University programme on Strategies For Change, to a two-hour film about the lives of children in different parts of the world made by UNICEF and shown by ITV. Thus the first problem, as with every other awards jury, was not every other awards jury, was not so much that of judging between apples and oranges - a relatively easy task - but between apples and motorbikes or oranges and astronomy

astronomy. Secondly, there was the em-Secondly, there was the embarrassing matter of tone and attitude. Occasionally we saw a programme such as Channel 4's No Easy Walk which was intent upon wagging its finger at us for the supposed sins of our supposedly colonialist grandparents, and that was irritating, but at least open and obvious. Most of the entries, whether about deforestation, famine or land reform were well meant, yet in an awful were well meant, yet in an awful lot of cases there was a much less obvious, but still definite message that the "problems" suf-fered by people with brownish or yellowish skin would be turban like Lawrence. We saw him in didactic mood in the Blus by pinko-grey people. That this message was tacit, and frequently conveyed in pictures rather world Development ticking off



than words, made it no less forceful.

No doubt this attitude would be absent from, or less noticeable in, programmes emerging from the developing countries themselves, and in future years the be absent from, or less noticeable in, programmes emerging from the developing countries them-selves, and in future years the OWBT is expecting to include such programmes in the compe-sition.

tition. The third point was the ubiquity of Bob Geldof. Hardly anybody can have been unaware of the frequent television appearances of the philanthropic popstar since his efforts via Live Aid and Band Aid. But only by sitting down and methodically going through programme after programme do you begin to realise just how frequent and widespread his appearances have

Giordano's 'La cena delle beffe'/Wexford Festival

Wexford is the Irish Glyndebourne: not a provincial cousin nor a cut-rate imitation, but an
lish-Sea-changed festival just as
attractive. They both cultivate
evening dress, but it is unknown
was a cut-rate in the composed
stuff, sympathetically matched
of the Jesters' which represents
though it he composed
though was through it he composed
though was through it he composed
the lesters' which represents
singers and some roles for the
attractive. They both cultivate
locals (if soloists are thin on the
sevening dress, but it is unknown
ground, room can always be
film-music of the genre that
forbid serious revelation of character or feeling, and Giordano's
muse is only too happy to take
brother by Philip Doghan, of
was salutary to have the Finnish
Giannetto's conniving servant
bartone Jorna Hynninen turn

ground, room can always be film-music of the genre that found for a children's chorus). Korngold and Rozsa were to Rounded off by the delights of wexford itself - its bibulously convivial atmosphere (expansive, un-British licensing hours), its excellent seafood and its engaging people - the Festival easily surmounts the minor drawshack of incressant soft rain.

In fact last weekend was dry and even sunny, a superfluity of delight which may slightly have weakened the operatic spell. At any rate the merits of this year's restival operas struck me as increase weakened the control of the surface weakened the operations of the year's collective doubly humilibrated with the collection of the anti-

but nothing more.

David Murray ...

new world of television in which we live; a world where each of us, from school child to OAP, can become instantly aware of tragedy in some distant land. Our grandparents would have Ethiopia long after they had died, if they heard at all.

logical miracle, we have not progressed that much: though television shows us the famines, the desertification, the floods and so on, our reactions have been mostly emotional and short term, resulting in stop-gap mea-sures which - while numerous lives may be saved - make little difference in the long run to the fundamental inequalities of the world. As the better programmes indicated, long term aid for development is surely the thing, rather than mere famine relief: the artesian well rather than the the artesian well rather than the

sack of rice.

But finally, with some of the But finally, with some of the best programmes in the competition, came the distressing and yet fascinating realisation that even long term development aid of this sort may turn out to be counter-productive. In the BBC's Only One Earth, we saw how the sinking of new wells can lead to nomads settling down, rapidly using up every scrap of wood for miles around to make cooking fires, and thus causing desertification.

cation.

And after watching Adrian Cowell's astonishingly detailed and assiduous study of Rondonia in Viewpoint Special: Banking On Disaster, you actually began to wonder whether there is any sort of aid which is not, in the end, inimical to long term local interests. Certainly Cowell's account of the road being driven through the Brazilian jungle suggested that it harmed the Indians, the flora, the fauna, the climate, and the long term prospects for cash crops of rubber and brazil nuts.

Despite all that I did not come

brusquely by Geldof that butteroil was.

You began to wonder rather
tetchily whether it was possible
to make a programme about
famine without Mr Geldof. Then
you realised that for television
he must be a godsend: a charismatic, blunt speaking young
man from the pop world, recognised and admired by millions of
teenagers. Not to put too fine a
point on it, while another shot of
starving black babies might turn
many viewers off, the sight of
Geldof being rude to his elders
could well turn them on.
Fourthly, but most important
by far, was the way in which an
artificial concentration of programmes such as this telescoped
a whole sequence of attitudes
and conclusions previously experienced only in a piecemeal way.
After the first four entries you
were impressed by the brave ber and brazil nuts.

Despite all that I did not come away from the jury in deep depression. To see all may not be to understand all, but it is a good start, and the best of these programmes are among the best things of any sort on television. When Prince Hassan announces the award winners next month, he will be naming people who really have dedicated their lives to their programme making and to their programme making, and for once every superlative at an awards ceremony will have been honestly earned.

> up at the Festival for an afternoon recital, in which - with Raif Gothoni's brilliantly accomplished plano-partnering - he

fixed a level of cool but wrench-ing intensity matched by none of

the concurrent opers. Their Si-belius songs were masterly

(Gothoni rendered the awkward-ly orchestral piano-parts with

sharp dramatic power as well as deceptive fluency). If they stretched and warped

A Collier's Friday Night/Greenwich

Martin Hoyle

However much his reputation as a novelist may wax and wane, D.H. Lawrence has in recent years emerged as a beautifully observant and finely crafted playwright. John Dove's loving production illumines the individual us, from school child to OAP, can become instantly aware of tragedy in some distant land. Our grandparents would have learned of those starving in Ethiopia long after they had died, if they heard at all.

Then came the saddening realisation that, despite this technological miracle we have not the curtain rose and that their the curtain rose and that their the curtain rose and that their lives will continue after you

eave the theatre. Ritual and routine form the basis of these few hours observed in the Lambert household. The exhausted, already slightly drunk, miner father nod-

ding somnolently through supger, his grumbles cheerfully parried by his wife; the student son,
his mother's idol (shades of Sons
and Lovers), home for the weekend, explaining the new technol-

father's wondering workmates; friday-night shopping; "The Maiden's Prayer" played hallingly on the plano from the next room; shocked gossip of those badly-managed households where the father makes the

bert has bought pine-kernels since Ernest has picked up laddy food habits at college; the young man reads French poetry to blushing Maggie on the sofa; and the mood soins from time to time notable in the blue to the sofa; time mood sours from time to time, notably in the bitter rage of the father, slighted and suspicious, disregarded in his own home, and the scenes between him, his wife and son. Alfred Lynch never forfeits our sympathy for the wounded pride of the manual labourer. And in a scene made memorable by Appette

ogy of the fountain pen, to his adored son is growing away from

Neither of these strongly emotional eruptions disturbs the feeling of commuty. The play ends with Mrs Lambert laying the table for breakfast, blowing out the candle, extinguishing the oil lamp. The family - the communi-

where the jump.

beds.

Occasionally the camera zooms in and focus tightens. Mrs Lampeace again.

bert has bought pine-kernels

tabed un faddy

tabed pre-Great War kitchen, an accident with the provides a description of the pre-great war kitchen, an accident with the provides a description of the pre-great war kitchen, and the pre-great wa appropriate background for this glumpse of a lost society. Neil Dudgeon's Ernest leads the younger generation. The girls are extraordinarily high-spirited, sensible and desired participation. ble and despite everything restliently optimistic - especially Claire Parker, charming with no-nonsense cheerfulness as the daughter of the house, and Claire Hackett, embarrassed, shy and outbrolled as Maddus, the

Romeo and Juliet/ Young Vic

Claire Armitstead The undertones are of a malia style connection - Capulet wooing John Cagan's smooth, Americanised Paris in a courtship that ends with the striking of the marital deal around the family table, Jane Maud's effete, elegant Lady Capulet looking on. Neither consumption nor consummation are allowed to Romeo and Juliet who spend their wedding night apparently lounging on the balcony as if they have never quite managed to get beyond the snogging stage. What is lost in animalism is gained in a sense of frenetic excitement emanating chiefly from 21-year-

The teen-dream that is Romeo and Juliet finds a freshness in David Thacker and Jeremy Bell's modern dress production that will undoubtedly breathe new life into many an old school textbook. Here is an interpretation that process presental connections. that evokes parental opposition of the most murky sort without allowing it to divert attention from the white light of adolescent infatuation.

The theme of consummation from the water the account from the most consummation from the consummat

looms over the production from our first introduction to Richard Hew's tousie-haired Romeo tan-gled up in his duvet, dreaming of his latest love, to Juliet's death, pressed to her lover's corpse in a parody of sexual fulfilment. It follows that the meal figures prominently, whether syriled prominently - whether guzzled down at the local posts joint by Richard Graham's bullet headed Benvolio, or tactically conside by a faintly sinister Capulet.

who makes a fascinating debut. Her Juliet is waif-like, framed by a frizzy bob, with a vibrance that

emanating chiefly from 21-year-old year old Sarah Jane Frenton

hoy out of a teen-age magazine. He is sincere, preuy and questioning, with a tendency to gabble in excitement that becomes a tendency to blub in despair. In one of the best scenes he decants his yearnings to Rudolph Walker's worldly Friar Laurence invoking a senergy displaceure. voking a sonorous displeasure that culminates in the Friar's expletion, "Holy St. Francis" enun-ciated in a broad Jamaican ac-

interestingly the balance of aggression in the production flows towards the Capulets: Anthony Wellington's Tybalt lurks on the balcony, knife flashing, like a hired man, while Mercutia (John Elmes) taunts him with an aristectule involvement of the production of th a frizzy bob, with a vibrance that informs every muscle.

Richard Hew answers her includes a condition of the face of Tybalt's victousness or the Miss Piggyish fluster of Ancandescence with a Romeo like a nette Badland's nurse.

Paul Roberts/Purcell Room

Max Loppert

Paul Roberts is an accomplished, intelligent planist who compiles shapely recital programmes and delivers them with distinction. Monday's focussed itself on Debussy (who is this planist's particular devotion), but mainly as influence on his successorsthree of the studies were the sole Debussy contribution to the evening. Along with them, Bartok, Falla, Severac and Albeniz made up a selection of music that was not just "consecutive" in interest but intensely enjoyable in each of its parts.

A planist who includes in a single concert the Bartok Suite, the Falla Fantasia bastica, Deodat de Severac's fragrant, affectionate little suite En Vacances, and Albeniz's Rondena as the closing attraction may not insure himself a buse a willese but he Paul Roberts is an accomplished.

closing attraction may not insure certainly proposes themes, tex-tures, and styles that link and contrast in rewarding and plea-surable ways. In the Falla Mr

Roberts's shaping of the proud flamenco song-infusions was not quite spacious enough, and it lacked those "speaking" vocal inflexions which can add extra dimensions of colour and dramatic nuance; the domestic aspects of nuance; the domestic aspects of the little Severac piano-pictures of the little Severac piano-pictures from the world of inte Debussy tended to be slightly brusquely treated. In general, though, the outlines of the playing remained admirably crisp and clear throughout the recital (and in the Purcell Room, with its horrid acoustics, that is an achievament to be proud of indeed).

Another of Mr Roberts's special interests is the music of virtuoso writing, the lines decided independent rhetorical

acoustics, that is an achievement to be proud of indeed).

Another of Mr Roberta's special interests is the music of Maurice Ohans, that senior flourishes like the arabesques of North African holy chant. Once independent of clique or fashion, who owns Debussy and Fails as his most significant musical licant musical formed (Cherkasaky, for inancestors. On this occasion four stance, would make magic of pieces from the second book of Ohana's Etudes d'interpretation (1985)were receiving their Brit-

Dominic Gill

Maurizio Pollini/Festival Hall

or who composed it, until as least the end of the dinner-interval - that they are consuming opera of a high standard.

For the Wexford Festival is devoted frestrically forgotten operas, and also to floridy new longers who may deserve to be remembered: the sundince which pays substantially to come reacts unabashedly to what it hears to good it it is as near to a live, honest opera-sundince and you had in financially of the sayon are likely to find in these sizes you opera-struck may programme on a live, honest opera-sundince of layer of the programme of a high standard.

If they stretched and warped it is the three of this year's eventions, and liter reinforced to practically forgotten operas, and also to floridy new large of their productions: re-working when the productions: re-working without any prior assumption that it must be good it is as near to a live, honest opera-sundince of live is a possible. The Festival programme, defityly planned each year by leave of the dinneral three or fable and warped delight which may slightly have well shell they or find the display that the structure of the dinneral three or display that the programme of high standard.

If they stretched and warped it the well a leave the work of Festival is devoted treatment of several value productions: re-work and also to floridy new large of their productions: re-working the more well be heard of her. A mid Joe Vanek's suitably nor more than a fraction productions: re-working the more well be heard of her. A mid Joe Vanek's suitably nor more than a fraction productions: re-working the more well be heard of the commended the worker flexible manufaction followers of Gloridano for structure of Gloridano for the productions: re-working the more well be heard of the commended the worker flexible flowers in the tends that the area of the productions: re-working the more well be heard of them the productions: re-working the more well be heard of them. Their productions: the time that the productions is structured to count of the great war as

half. I admired its precision and accuracy, and in a way also its purity - but it was not great Chopin playing: it lacked too large a dimension of drama, of dramatic edge and focus, for that. By chance, on the way to the recital, I heard Sviatoslav Richter on my car radio playing Chopin's C sharp minor Scherze; half an hour later, live on stage, Pollini played the same piece. The contrast was immense, and instructive - a matter of a score of tiny nuances whose effect adds up to

erroire (822 2212)
The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford, 6339 2344. CC379

chael Crawford.
6131/240 7200)

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, and looks like a cheap and looks like a cheap wilcox (836 9867).

Bridge In Idea adaptation in new's Fathers and Sons is decent and will in the Lydleton (826 2252).

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The Ba neiping to right suspicions tract the RSC, certainly in London, is stretched way beyond in creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high hoots in big bulging costumes (628 6795)

Follies (Shaftesbury): Stunning revival, directed by Mike Othrent and designed by Maria Bjornson, of Sondheim's 1971 musical in Prise, with James Earle Jones tak-

which poisoned marriages nearly undermine an old bariesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5389)

Meles (Haymarket): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal matterings, not vintage Gray. (300 9822)

Sertess Meney (Wyndham's): Transfer from Boyal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies; how the Big Bang led to dass inmult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good (836 3028, CC 379 6585)

A Small Fandly Business (Olivier): Brilliant new Alan Aychbourn

Size, CC 379 6385)

A Small Family Business (Olivier):
Brilliant new Alan Aychbourn
plsy about Britain on the Modie in
greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy
thriller on the large scale, Ayckbourn's own production is led majestically by Michael Gambon.
Best of the NT rest remains King
Lear and Antony and Cleopatra at
the Olivier, A view From the
Bridge in the Cottesloe. The new
Brian Friel adaptation of Turgenew's Fathers and Sons is decent
but dull in the Lyttleton (828 2252).

NEW YORK

ing the powerful lead role of an old basehall player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own fallings. (221-1211).

Cats (Winter Garden): Still a sellout, Trevor Num's production of T.S. Eliot's children' poetry set to trendy music is visually startling and choreographically shine, but classic only in the sense of a rather staid and over-blown idea of meating and choreographically shine, but classic only in the sense of a rather staid and over-blown idea of meating and choreographically shine of a rather staid and over-blown idea of meating and control in the sense of a rather staid and over-blown idea of meating and the strength of the sense of a rather staid and over-blown idea of meating and the strength of the sense from the original film like Stuffle Off To Buffalo with the appropriately breath and leagy hoofing by a large chorus line. (377 9020).

A Cherus Line (Shubert: The longest running musical in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical gaure with its backstage story in which the songs are used as anditions rather than emotions. (239 6200)

La Cage any Falles (Palace): With some tuneful Just Herman sones.

and Ginevra's conniving maid by David Barrell and Kathleen Tyn-an, of a fanatic Doctor by Gian-cario Toni, and of the Florentine

host of the banquet where Glan-netto's revenge begins by the vis-iting Russian bass Mikhail Kruti-kov. The key minor role - one of Nerl's ladies, cast off but still

besotted - went to Alessandra Marc, whose opulent soprano dominated the octet in which she was first heard (at some cost to one of Giordano's brightest in-

6200)
La Cage any Falles (Palace): With some tuncful Jury Herman song, Harvey Fieratein's adaptation of the French film manages harely to capture the feel of the sweet and hilarious original between high-kicking and gaudy cherus numbers. (757 2826)
In Not Empagert (Booth): The Tony's best play of 1926 won on the strength of its work-of-mouth popularity for the two oldsters on Costral Park benches who bicker uprocriously about life past, present and future, with a futury plot to match, (229 8200)

match, (239 6300)
Les Miserables (Broadway): led by
Colm Wilkinson repeating his
West End role as Jean Valjean, the
magnificent spectacle of Victor
Hugo's majestic sweep of history
and pathos brings to Broadway

secommodate it for a three-month stay as part of the Brocklyn Academy of Music's New Wave Pestival. Ends Jan 3 (947 3650)

WASHINGTON

Breaking the Code (Elsenhower): Derek Jacobi brings his role of Alan Turing to America. Ends Oct 31. Kennedy Center (254 3670)

Jee Turner's Come and Gene (Kreeger/Areas): Tony Award winning playwright August Wilson turns in this play to a rooming house at the turn of the century where black people conjure up spirits that connect them to their heritage. Ends Nov 22 (468 2300)

All the Bing's Men (Areas): Adrian Hall's adaptation of the Robert Penn Warren novel explores the assassination of a demagogue during the Depression with music by

Randy Newman., Ends Nov 22. (488 2300)

October 23-29

lessons in pageantry and drama, if not strict adherence to its original source. (239 6200)
Shriight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognize its American incurnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery in distract from the backneyed pop masic and trumpage with plot (386 6510)

Be and By Girl (Harquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable comes and dated leadenness in a stage full of characters; but it has proved to be a durable Exception in a stage full of characters; but it has proved to be a durable engaging and deft actor preferably British (847 033).

The Mahabharata (BAM Majestic): Peter Brook's nime-hour interpretation of the world's longest poem inspired the refarbishment of an old Brooklyn vandeville theatre to accommodate it for a tree-month stay as part of the Brooklyn Academy of Mansic's New Wave Festival, Ends Jan 3 (847 5850)

WASHINGTON Les Miscrahles. After London and New York, now Tolyo and the Japanese version of the Tony-award winning musical. The cast was hand picked by the creative team of producer Cameron Mackintosh (from an astounding 11.500 hopefuls), then trained for nine months in a special 'ecole' and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Tobo's Les Miscrables is a triumph. The best production of a Western musical in Junea, it differs little from the unfault Loudon version. Convincing and moving this top-quality production

Saleroom/Antony Thorncroft Basking frog top price

toggles that the Japanese use to attach the inro (or purse) to the pocketless kimono. Christie's was selling the first part of the Bushell collection yesterday. It is one of the greatest in the world, and the morning session totalled £399,984 but with 23 per cent unsold.

Raymond Bushell is an Ameri-can lawyer who has lived in Tokyo for over forty years. The Japanese do not greatly appreciate this art form but there are enough American and continen-tal buyers to push prices for the finest examples above \$30,000. Mr Bushell has a collection of over 1,600 netsuke, a third of which are going to the Los An-geles County Museum with the rest being sold by Christie's over

There seems to be a limit to the founded the Iwami school of popular appetite for top class netsuke, the delicately carved buyer at the auction, acquiring the six most expensive Items. The £12,000 he paid for a wooden netsuke of Nakasalna Sonja, an apostle of the Buddha, by Shoko, was a record for a 20th century netsuke, and over double its pre sale estimate.

A netsuke of an elongated

monkey signed by Koku went for \$11,000 and the same sum se-cured an ebony netsuke in the shape of a mole by Masatoshi, an artist who is still active. Phillips had its best ever auction of art nouvezu. An early

bronze statuette of Salome by Carl Milles sold for £19,800 and an unusual Morris & Co "Hammersmith" hand tufted woollen and mohair carpet which was found in Adelaide South Australia made \$17,600. Way above tar-get was the \$13,750 which se-cured a pattern and design book Top price yesterday morning was the £16,500 paid by the London dealer Eskenazi for a netsuke in the form of a basking frog on a log made by the late 18th century master Tomiharu, who

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Arts Guide

Theatre

LÖNDON

back of incessant soft rain.

Astemy and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1868 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a finerevival of Lorca's Yermal; and David Hare's production of King Lear, Hopkins a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252)

chael Crawford. (839 2244, CC379 6131/246 7200)

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY Telegrams: Finantimo, London PS4. Telex: 8954871 Telephone: 01-248 8000

Wednesday October 28

What the US can do

THE PROCESS by which Washington is to frame a response to the ringing messages of the financial markets worldwide was always likely to be protracted, painful and, above all, political. It is not helped by the undeniable fact that, at a critical juncture, nobody seems to be in charge.

Unless his statement last night acknowledging the gravity of the situation is a harbinger of better things to come the only charitable description of President dent Reagan's performance over the last week is that it is has amply demonstrated his known limitations. Once the beneficiary of favourable circumstances, he appears to lack the capacity to handle adversity, and setbacks have heen coming thick and fast over the last 12 months. There is, sadly, a 12 months. There is sadly, a fundamental insbillity at the top to grasp complex issues, not seen at a presidential level since Herbert Hoover, Historical comparisons with previous-ly incapacitated chief execu-tives like Woodrow Wilson may

Relative reason

This fault was remediable so long as others ran policy for him. What is truly disturbing at present is that nobody else seems willing or able to carry the ball the President has fumbled. Both Bakers are being bat-tered, Howard, the White House chief of staff, for not working ev-aryday miracles with Congress, James, the Treasury Secretary, for having partly pracipitated the market rout by engaging in a slanging match with the West

forces of relative reason, in contrast to, for example, Mr James Miller, the budget director, to Miller, the budget director, to whom, it seems, tax increases tax increases train anathema. Mr Alan Greenspan is enduring a baptism of fire at the Federal Reserve and suffering inevitably, there is needed is a realisation in the US capital that neither the nation nor the world can wait until a new President installed for a coherent set of fixes. tism of fire at the Federal Reserve and suffering, inevitably, unfavourable comparisons with his doughty predecessor, Mr. Paul Volcker. Seasoned professionals, like Mrs Elizabeth Dole and Mr Bill Brock, are leaving the Cabinet to work on election. campaigns.Once valuable inter-Dole, must now be thinking more of personal political am-

government.
It also does not help that the Democratic-controlled Congress appears more keen on extracting a pound of humiliating what he said he never would and agree to higher taxes - than evolving its own creative policy responses. It is, in any case, responses. It is, in any case, hung up on what many rightly consider to be a truly disastrous initiative, the omnibus trade bill, passage of which is hardly likely to inspire international confidence in the management of the US economy.

It is not constructive, however, merely to lament that Wash-

It is not constructive, however, merely to lament that Washington is beset by a power vacuum. Even at the most felicitous of times, political realities, of which the most important is that there will not be enacted either spending cuts or tax increases of a magnitude which will together solve the US badget deficit at a stroke Even in less traumatic circumstances where the threat of recession was absent, no sane politician with a future would seriously contemplate them in the year before a national election.

Limited options

In terms of practical politics the options really are quite lim-ited, particularly if, as Mr Re-agan himself says and Congress surely accepts, social security is off limits. The size of the US budget deficit is a matter of pure conjecture at present but it is not likely that cuts much in excess of the notional \$23 bn mandated by the Gramm-Budmandated by the Grams-Bud-man process will come to past (even this is a mix of spending cuts and small tax increases). History shows that rating taxes, or closing the most egre-gious loopholes, is never speed-ily effected, so powerful are vested interests. A spending freeze is being touted in some Administration circles, but more as a device for avoiding tax increases than for its inher-ent value.

is installed for a coherent set of policies to emerge. Quick fixes rarely work, but Gramm-Rudman, for all its deficiencies, at least provides a starting point. This year's target must be met as a minimum, if government is as a minimum, if government is as a minimum, if government is not to cede policy-making to the markets entirety. Equally important is the recognitition that a managed decline in the value of the dollar, far from demonstrating a failure of national virility, may be the least of present evils. It might also be, given the present take of efficirs in the present state of affairs in Washington, the softest political

More curbs on trade unions

taking what amounts to a fourth swipe at the unions in its Employment Bill, following the Employment Acts of 1980 and 1982 and the Trade Union Act of 1984. But whether the Conserva-tives can be charged with unprovoked assault and battery on (presently) revered national institution depends on the pur-poses and likely consequences of the latest legislation.

Ministers portray the bill as primarily a tidying-up opera-tion, amending and clarifying the previous three acts. In this sense, the intent can hardly be faulted. The Government's step-by-step approach to em-ployment law reform has been a demonstrable success on two counts. First, the unions have been forced to accept the demo-cratic disciplines of balloting and they now mostly admit, af-ter all the kicking and screaming and marching and boycot-ting, that the medicine has done them a power of good. Second, the industrial odds have been made more equal. Most people, including many staunch trade unionists, now look back on the picketed hospitals and ceme-teries of the 1978-79 winter of discontent and agree that the unions had grown too powerful and too unaccountable for their actions. It was right and proper that the unions' immunities should have been pegged back.

Industrial action

Much of the bill can be justi-fied in this light. After Mr Arthur Scargill's apparently self-less surrender of his vote on the National Union of Mineworkers' executive committee, there is good reason to extend to nonvoting executive members the election requirements of the 1984 act. After the shenanigans of some such elections and strike ballots, there are valid grounds for tightening the rules. After evidence of continued abuse of the closed shop, still an issue capable of arousshould be added to by making it unlawful for unions to take in-

A RECENT UK opinion poll by Gallup found no less than 71 per cent of the population thinking trade unions "a good thing" and only 12 per cent considering them "a bad thing." The royal family scarcely does any better. It may, therefore, seem an odd time for the Government to be taking what amounts to a fourth bership automatically unfair. Ministers still shy away from the seemingly logical step of declaring the closed shop illegal. Yet there is one clause in the bill which looks suspiciously like kicking a union movement when it is down. The provision to prohibit unions from disciplining members who do not take part in industrial action, even after a lawful ballot, has given rise to a distinct feeling of even after a lawful battot, has given rise to a distinct feeling of unease among many of the Government's friends. The CBL the Conservative Trade Unionists and even the libertarian Freedom Association see little point in the measure in view of the proposed currence in view of the closed proposed curbs on the closed shop. There is, moreover, a strong argument against a gov-ernment intruding in this way in the internal affairs of a vol-

Essential services

What is more, the messure does not fit easily into the en-abling framework constructed by the Government's approach it smacks of more direct intervention in matters which are more properly dealt with at the workplace. For the fact is that, workplace. For the fact is that, despite three acts and one more on the way, the real reforms in industrial relations practice are being hammered outon the ground: single-union, strike-free agreements, decentralised and performance-related pay systems and the now common-place flexibility deals on skills and working time have all emerged from below. The Government's role, rightly, has

emerged from below. The Gov-ernment's role, rightly, has been limited to creating the cli-mate in which such positive de-velopments can flourish.

If ministers do contemplate a fifth tranche of employment legislation, and they say they may, they should be clear that they are still fulfilling this role. If they are intent on being more interventionist, however, then perhaps they should dust off their shelved 1983 manifesto commitment to act on strikes in essential services. It does not look well to be laying down the law on the shopfloor in the private sector when prison officers are once again dislocating the ing enormous passions, it is penal system and when troops right that earlier restrictions have only recently been doing the work of striking Welsh fire

North Yemen is about to become a significant oil exporter. But, says Michael Field, there will be no bonanza for one of the Arab world's most primitive countries

An IMF policy without the IMF

THERE IS a joke about the Yemen Arab Republic (north Yemen) which used to be told by the late Egyptian President, Gamel Abdul-Nasser. It has God accompanied by an angel, visiting each first time since.

accompanies by an angel, visit-ing earth for the first time since the creation.

He looks down on a huge, rich, populous country and aaks his companion where it is. He is How amazing, says God, "It has changed so much, I would never have recognised it."

He moves 10,000 miles east-

wards and beholds a fertile river valley. Again he asks where it is and, on being told that it is Egypt he exclaims how much progress the people have made.
Then he moves a few hundred miles to the south-east and looks down once more. "Ah",

led Nasser to become involved in Yessen, the country has made steady but very slow progress. It has a basic network of tarmac roads, its lowns have electricity and, in the green and fertile south, enterprising Yesseni basicsessmen have established some impressively modern factories.

only 2 per cent of the women are literate. As one walks around its dirty, litter-strewn towns, which have some heautiful old buildings, one is followed by children crying out to be given pencils.

been matched by political cha-os. Yemen has always been a wild country. Apart from brief periods of insecure Turkish rule, it has never been colou-ised, because its mountains made it impossible to control. The religious monarchy of the Imams in the first half of this century faced many rebellions and, since the revolution, two of the state's five presidents have been deposed and two mur-

In the dry, northern part of the country the tribes regard themselves as semi-indepen-dent. The Government's writ runs for about 30 miles outside the capital Sanaa Beyond that, most men carry guns and half the vehicles are unregistered. In a hospital in the northern town of Saada a notice tells visitors not to take Tifles or other manufacts. murderous weapons into the canteen. Dagers, which are worn by almost all Yemeni men, have to be left at the ward en-

Now Yemen is about to change. The Hunt Oil Company of Dalias, Texas, has discovered oil in the east of the country and, in the next two months, it will begin exports via a pipeline built across 2 7,000ft mountain range to the Red Sea, During 1988 it plans to raise production to 200,000 barrels a day, which will put the country on a par with the smallest memon a par with the smallest mem-bers of the Organisation of Po-

should transform the country.

The governor then revalued ports which will help the coungiving it money to spend on development and making it a panic selling of foreign current and the development of agro-in-place of interest to the world's cies by the populace and earn-dustries. In expectation of this,

short term, the impact of oil will be limited.

The country's oil is expensive to produce and its revenue next year will probably not be more than \$600m (£357m), assuming that oil prices remain around \$18 a barrel. In terms of the balance of payments, this will do no more than offset reposet do. no more than offset recent de-clines in the remittances from

Saudi oil revenues began to fail, the number of Yemeni workers the number of Yemeni workers in the kingdom has fallen from about a million - half of the total Yemeni male labour force - jo perhaps 400,000, and remitances have declined from \$1.3bn to about \$600m. Apart from labour, Yemen has no expected its only other access of

looks down once more. "Ah", says God" Yemen."

Since the overthrow of the cruel, medieval regime of the Imamate in 1982, which is what led Nasser to become involved in Yemen, the country has made steady but very slow progress. It has a basic network of tarmac roads, its lowns have electricity and, in the green and fertile south, enterprising Yemeni basic nessmen have established some impressively modern factories.

Even so the country is still one of the property of the problems that have best other developing countries. It has borrowed algost revenues. Its only recent borrowing (other than aid funds) and funds about 2 per cent of the women the best of the problems that have been expectations of its people and, as borrowed algost revenues. Its only recent borrowing (other than aid funds) and funds are debt incurred through oil imports.

imports.
As a banker in Sanza put it recently. I think the Government has been very wise, it has carried out the IMF's policy than saking the IMF for

has recently been extremely strict in releasing foreign ex-change for imports, though its control in this area is far from countrie in this area is list from complete because it cannot en-force exchange controls. Much of the remittance money never enters its hands at all and goes to pay for large amounts of luxu-ry electronic goods and scents, which are muggled in from Sandi Arbits.

Nevertheless the Central Bank managed to extract some 5500m from the private sector earlier this year through an unorthodox but typically Yemeni piece of market intervention. At the time there were three separate exchange rates in the country - one operated by the Central Bank, the others op-erated by the commercial banks and money exchangers, who were allowed to sell the Yesseni riyal at a slight discount in or der to attract dollars from pri-These multiple exchange

These multiple exchange rates and the consequent steady devaluation of the rival were regarded as acceptable, until the money exchangers were found to be paying up to YR15 for the dollar when the official rate was something over YR11.

What the governor of the Central Bank did was to close all the money exchanging stalls indefinitely and put their owners in prison for a week. They were sent home every evening partly because Yemeni jails do not provide the less serious offenders with food.

The consensus among private businessmen and bankers is that the Government will continue its very restrictive policy for most of the first year of oil revenues, until it has built up reasonable reserves. Then the belief is that it will allow im-

to seil more than \$50m to the bank at an advantageous sate.

private investors have been buying agricultural land in the southern mountains and on the

Since this success, the many has provided foreign currency only for imports of fuel, some foods, medicines and certain raw materials. This has caused private factories to run at as liftie as 40 per cent of capacity. The other result of oil revenues will be that, for the first time, the Government should have some money of its own to spend on development. So far its domestic tax revenues of about \$600m a year have been absorbed in current spending, while all development projects have been financed by foreign aid.

> The state has not said how exactly it will spend its new revenue. The tribes, which until a throw governments at will, can be expected todemand a sub-stantial payment because the oil has been found under their

land. The army, which is gradually extending its control over the tribes, will also demand a

for development. It is even pos-sible that oil will cause the oth-er Arab countries to reduce the

er Arab countries to reduce the aid they give and that Yemen's development prospects will not be improved at all.

Yet, whatever happens, oil is bound to make the Government stronger in a domestic political sense, not least because in fature the tribes will be beholden to it for subsidies and not just to the Saudi Government. Saudi Arabia traditionally has been Arabia traditionally has been beryous of Yemen, which has a has never accepted the Saudi seizure of some of its territory in the 1920s. The kingdom there-fore has backed both the cen-

gime in southern Yemen, while seeing the tribes as a lever which it can use to influence

the Government in Sanaa. Already the Government has become stronger and more sta-ble, since the arrival of Ali Abdullah Salih, who was appointed President in 1978. His predecessor, Ahmed Ghashmi, was blown up by a bomb in a briefcase sent from southern

In his early years in power. Salih wore a nervous, hunted look and was widely regarded as not very clever. But having survived numerous plots and assassination attempts, he has grown in confidence and ac-quired a great deal of cunning. denis to return home - a deci-

dents to return home - a decision unique in the Arab world.

Be has built an extraordinary
cuit of personality. It is difficult
to stand at any point in Sanaa
without seeing his picture.

In the past there used to be
independent minded personalities and different centres of
power and influence in the Government; now all depends on
one man. In effect the price of
political stability has been a
move towards totalitarian government of the type found in
lived, Syria and other Arab
countries.

countries.
To strengthen his position, the President makes a point of going out of Sanaa to meet the tribal leaders, even at times of tribal fighting. He is also trying to form consultative political institutions to give his people a sanaa of matterination in government.

Both the growing political sta-hility of Yessen and its chances of economic development will be upset if the country becomes embroiled in the politics of its neighbour, the Popular Demo-cratic Republic of Yemen (nouthern Yemen).

Despite its Market water, that country is every bit as trib-al and unruly as north Yemen. The two countries have fought

each other twice in the last 17
years and each harbours an
armed group opposing the other, which could drag them back

In the mid-Mits, relations be-tween the two countries seemed to improve because the two Presidents were working to-gether well. But, early last year, Ali Nasser Mohammad, the southern Yemeni leader, had to flee the country after he lost a bloody power struggle with oth-er members of the regime. He now lives in Sanaa, but Presi-dent Salih is wary of giving him

Support.

Relations between President Salih and the new faction in power in Aden have slowly relaxed since last year. It is possible that the development of oil in both countries will bring the Yemens together. It could make them more independent of their rival backers, Saudi Arabia and the Soviet Union.

But it is equally possible that the internal tensions of the re-gime in Aden will lead to civil war. If that happens, north Ye-men is likely to be dragged into the fighting with unpredictable



Tory insurance policies

The Governor of the Bank of En gland was not the only official: on the public payroll who saw fit to intervene in this month's elections to Lloyd's of London's ruling council. Two Cabinet ministers, John Wakeham, Leader of the House of Com-mons, and John Moore, Social Services Secretary, have also

Services Secretary, have also taken a hand.

Both are members of the Lloyd's insurance market. And their names appear among the 16 proposers listed on the manifesto of one of the election candidates, Dr. Mary Archer, the wife of novelist Jeffrey Archer, former deputy chairman of the Conservative Party.

This has not caused the kind of furore that greeted the Gor-

This has not caused the kind of furore that greeted the Governor's widely-criticised support for another candidate, William Birch Reynardson. Dr'Archer has some distinctive qualifications. "She will be having my vote," says another candidate.

didate.
With a first class hopeous degree and a doctorate in physical chemistry, she has a numerate scientific background. This is no bad thing given that insur-ance is a mathematical business - and that the council is ar



Men and Matters

lawyers, accountar Etonian classicists

signs of exasperation yesterday among prominent members of Lloyd's about what they saw as the silliness of Moore and Waleham.
The problem with the Gover

The problem with the Gover-tor's intervention was that the Bank has a duty to keep an eye on Lloyd's under the 1982 Lloyd's Act. There was an obvi-ous conflict of interest if the Governor took sides in council elections. With members of the Cabinet, the situation is less clear. But, as a leading member casiner, the situation is less clear. But, as a leading member of Lloyd's put it yesterday: "I don't really think Government ministers should be seen trying to influence the results of elections in this way."

Welcome bonds

Canadian federal officials could have been forgiven for not knowing whether to laugh or cry this week when the annua drive to sell Canada savings bonds to the general public met with a record-breaking re-

Long queues of would-be buy-ers formed at financial institu-tions throughout the country lured by the bonds' 9 per cent rate of return - a figure which rates of record - a negare which provoked little response when it was set two weeks ago, but which the reduction in interest rates that followed last week's rates that tohowen that we are unprecedented stock market slump has suddenly turned into

alump has suddenly turned into a very attractive proposition.

While the government did hurriedly lower the ceiling ou the maximum amount that an individual can invest from C\$75,000 to C\$20,000, it was deemed impossible and, presumably, politically inexpedient to lower the rate of return to ent to lower the rate of return to a less generous level at such

One further factor probably spurred interested savings bond buyers to shop early. The government has the right to end

covernment has the lags the offer at 24 hours' notice. While sales could theoretically continue until November 6, many feel that finance minister, kichael Wilson, will feel obliged to turn off the tap well before then.

Exhaust fumes

The first environmentally "clean", catalytic converter-equipped car to take to the UK's roads has just emerged from a large bureaucratic pothole. Engineers from Toyota (GB), the Incheape Group-owned importer of products from Japan's porter of products from Japan's largest car maker, were dumb-founded to be told by the Department of Transport that its new Celica GT-Four model - the first to be launched in Britain with a catalyst - would be accepted for exhaust emissions certification only if its tank were filled with leaded petrol. What can best be described as disbellef among the men from what can best be described as disbellef among the men from Toyota was based on the fact that catalyst- equipped cars not only emit exceptionally low levels of pollutants - but can do so only if they run on salesded

Using unleaded fuel, they meet US and Japanese pollu-tion limits which are much stricter than those tested for by the Department of Transport, or even planned by the EC for introduction starting next year; Leaded fuel, however, haits the very process which renders the exhaust so exceptionally

what heightened the Toyota-what leightened the Toyota-men's disbelief was that EC en-vironment ministers have been pushing hard to get rid of leaded petrol, as the letra-ethyl lead it contains is a health haz-ard in the let. None of which, it seems, moved the men from the De-

partment of Transport. Their regulations said test with leaded and leaded it had to be. The Celica still got through the tests - even though Toyota removed the catalyst to save it

Councils of peace The time appears to have come for the lion to lie down with lamb.

with lamb.
We are talking of serious matters here, namely the peaceful co-existence of Manchester with Salford and Trafford, the local councils which buit against each in the northern capital's inner city.

inner city.

In the past they have been known to butt each other too, with that most intense of political rivalries - the Labour Party versus the Labour Party - prom Manchester is famed as one

bome of modern Labour radi-calism, Salford for its cloth cap, traditional image, and Trafford is a Labour-led hung council with a Kinnockian look to it. So while Trafford and Salfor supported Government plans to make the giant but declining Trafford Park industrial estate into an urban development cor-poration, Manchester's opposi-tion made certain that Nicholas

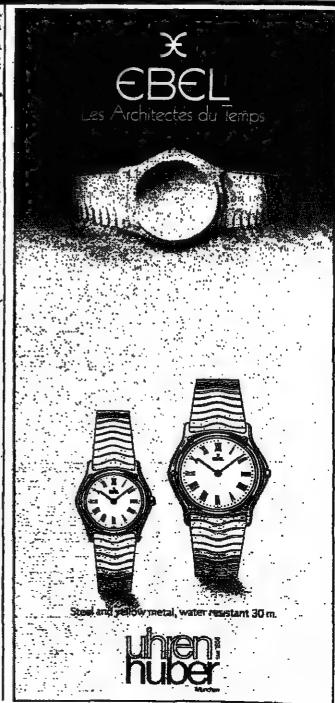
tion made certain that Nicholas Ridley, the environment secretary, stopped the UDC territlory at the city boundary.

But yesterday, they joined forces with the Government to apply for a special European Community status that would integrate their economic plans into a £837m five-year plan instead doing them piecement Manchester's Graham Stringer sat with Ken Edwards of Sal-ford and Barry Brotherton of Trafford as though the Irwell and the ship canal had never divided them, let alone the ideological gulfs between some of their supporters.

Loss leader

Spotted on Washington's Captol Hill: Democrat critics of President Reagan proudly tout-ing badges marked AWOL or Absent without Leadership.

Observer





A LEADING City institution recently entrusted a letter about an important meeting to the Royal Mail. Although it was sent first-class to another destina-tion in London, it arrived a week later. The delay cost more than £500,000 according to the institution, which does not want to be identified. Its hapless postal manager complains: "As the basic postal service gets worse, all the Post Office does is offer more and more premium express services."

express services.

Until recently, the Post Office, blessed with a highly effective public relations department, has managed to give the image of a corporation quietly and efficiently coping with a huge unsured in mall volumes. huge upsurge in mall volumes -so unlike its former sister outfit

Under the leadership of Sir Ron Dearing, who has just relinquished the reins, the Post Ofquished the reins, the rost orfice managed to square any
number of circles. It kept price
increases below inflation, drove
through a series of path-breaking productivity deals which
helped boost its workers' pay
helped boost its workers' pay heads to its payroll and still -almost uniquely among the world's postal administrations -

world's postal administrations showed respectable profits.

Yet doubts are now mounting about the corporation's performance as it faces two key challenges: the threat of industrial action by the Union of Communication Workers, the main postal union, which could seri-ously disrupt the Christmas mail; and renewed speculation that parts of the corporation will be sold will be sold.

Straws in the wind this month • The Periodical Publishers'

Association, representing

Britain's magazine publishers one of the Post Office's larger
customers - has said that it is

studying ways of using private carriers for distribution be-cause of its discatisfaction with

The Mail Users' Association, representing business customers, has published a survey claiming that the Post Office is fooling itself and its users about service quality: according to the Association only 72 per cent of second class mail arrives within three working days, compared with the Post Office's claim of not far short of its 96 per cent

target.
TNT, the Australian-based which has transport company which has taken a large slice of newspaper distribution away from British Rail, has warned that it is turning its attention to the Post Office and announced that it wants to have a post box on every street corner within 10

These danger signals have co-incided with the arrival of a new Post Office chairman - Sir Bryan Nicholson, former head of the Manpower Services Com-mission and before that of Rank Xerox UK. He has a bard exam-

The UK Post Office risks rivalling BT for unpopularity. **David Thomas** reports

Sir Bryan thinks the unthinkable

last five years.

Speaking on his first day in ofon his predecessor's achieve-ments. He also stressed that he took complaints about the postal service seriously. Respond-ing to the Mail Users' report, he said: "When customers are giv-ing you the signal of dissatisfac-tion, you're bloody stupid to ig-nore it."

Sir Bryan ordered an immediate inquiry into the difference between the Mail Users' statistics and the Post Office's own. The Post Office measures delivery performance from arrival in the sorting office to arrival in the delivery office, rather than from time of posting to time of delivery, the basis preferred by

Pressed on which aspects of quality worried him most, the new chairman picked out two complaints which repeatedly crop up in statistically-valid surveys as well as the saloon bar: queuing at counters and the reliability of the first-class

To tackle queuing the corpo-ration this month launched a ration this month launched a
£50m programme, which will include allocating service points
exclusively for customers wanting stamps or other quick transactions, installing more stamp
machines inside and outside
post offices and encouraging
leading retailers to sell stamps.
This five-year programme will
probably take time to affect
queues. In the meantime, the
corporation faces the more incorporation faces the more in-tractable problem of the mount-ing irritation - particularly from business users - at the failure of first class letters to arrive on

gets complaints from Abbey Na-tional's regions about the fail-Speaking on his first day in of-fice last week, Sir Bryan was tomers on time. With postal careful to talk about building delays of anything up to a week. delays of anything up to a week, she adds that some people try to aubmit claims for lost interest. Based in Abbey National's offices in Milton Keynes, she says it is standard practice for colleagues travelling to London to be asked to take urgent mail with them. with them

Mr David Rogers, postal man-ager at Readers' Digest, com-plains most strongly about the lack of consistency. "It's good one moment and bad the next." the says that organisations have to plan for the worst by sending out key mailings, such as in-voices, ahead of time. "One is forced to run computer cycles a little earlier." Businesses are increasingly

Businesses are increasingly entrusting time-sensitive letters to the burgeoning express mail (including the Post Office's own) and courier services. The latter recently captured the attention of a Soviet journalist sent over to report on the British postal system; 'Insolent youngsters dash backwards and forwards across London overtaking limacross London overtaking lim-ousines, weaving dangerously, fitted out as if they were cosmo

nauts."
One of the biggest problems
Sir Bryan faces is sorting out
the regular disruption to post in
parts of London by unofficial
disputes by militant UCW
branches, which at times seem
only loosely related to the
union's moderate national leadership. He has already warned
that the Government might remove the letter monopoly in
London if these disputes contin-London if these disputes contin-

He also stressed that minis-The service is "appalling," se-cording to Ms Sandra Kilbane, the UCW's threatened action direct mail manager for Abbey over its claim for a shorter



Sir Bryan Nichelson: "When customers are giving you the signal of dissatisfaction, you're stupid to ignore it."

working week goes ahead in the run-up to Christmas.

This tough talking is no doubt directed against the UCW's national leadership, which would be hard-pressed to sustain a long national dispute. Under Mr Alan Tuffin, its wily general secretary, the union - in a string of near-disputes over productivity - has transformed the tactic of brinkmanship into a fine art.

In the background, however. In the background, however, is a longer term threat to - or

in the background, however, is a longer term threat to - or opportunity for - the Post Office: privatisation. Sir Bryan signalled a significant shift in the Post Office's attitude

During the general election campaign, the Prime Minister haid down one of the boundaries in the debate about Post Office privatisation with a surprise statement that the Royal Mail, the heart of the corporation, would not be sold. People felt wery strongly about it and it was quite different from other nationalised industries, she said.

This disappointed right-wing think tanks like the Centre for Policy Studies and the Adam Smith Institute which had won much publicity at the start of the year by publishing detailed plans for the removal of the Post Office's remaining monopoly powers, the splitting up of the corporation and the sale of its constituent parts.

fice, principally its counters of eration and its National Giro-bank banking subsidiary, or the weakening of its monopoly which at present covers letters costing less than £1.

Before Sir Bryan's arrival, the Post Office argued that it should be privatised either as a whole or not at all, claiming that its constituent businesses were in-extricably linked. Sir Bryan swept this aside, stating that the Prime Minister's statement had rendered this position out of date and that it would be per-fectly possible to separate Giro-bank and counters from Royal Matt

to be no inclination to re-think the commitment against privatising the Royal Mail. Even groups with no ideological axe to grind, such as business users, have voiced three main worries about the idea: it could mean an end to national pricing for letters; it might herald poorer service and higher prices for rural areas; and securing redress for problems such as lost mail could be more difficult if there were competing national postal

services.

Perhaps the best criterion for judging Sir Bryan's term of office will be whether he so improves services for business usits constituent parts.

However, Krs Thatcher was that privatisation of the Royal eareful not to rule out the sale of other sections of the Post OfRoy Gibson, who resigned as head of the UK space programme, argues for a positive space policy

Even a middle way would be a step forward

an Space Agency is due to meet most buoyant are showing grow-at ministerial level to discuss ing awareness that Europe is recommendations from the ESA

The Director General's proposals will be based on agreements reached by ministers at a meeting in Rome in January 1985, where the UK was repre-sented by Sir Geoffrey Pattie, then Minister for Information Technology and simultaneously the Minister for Space. The Rome meeting was seen as very successful because it authorsuccessful because it authorised the agency to proceed with preparatory programmes for a series of large projects including an up-graded version of Europe's launcher, Ariane 5, and Columbus, intended to be Europe's contribution to the interrope's contribution to the international space station programme. Ministers agreed that such a programme warranted an increase in the overall ESA budget of around 70 per cent over the following five years.

During the intervening three years, the 13 ESA member states have been contributing funds to the preparatory programmes and have discussed amongst themselves, and with the executive of the agency, the

amongst themselves, and with
the executive of the agency, the
composition of the new
long-term programme. Major
additions to the Rome "package"
- principally the French-sponsored Hermes space-plane - as
well as significant increases in the estimated costs to completion of some of the other new programmes, made it obvious that the seemingly generous budget increase would not be

The UK delegation continuously courted the disfavour of both the executive and some of the larger member states by emphasising two crucial shortcomings in the Director General's proposais:
• the proposed programme was

over-ambitious and beyond Eu-rope's financial capacity; e it failed to show how private sector financing would be fac-tored in to reduce dependance

on government funding.

These two criticisms have been echoed by Mr Clarke in what was clearly an opening salvo in the final round of negotiations. These concerns are be-

IN THE HAGUE on November ginning to be shared by other be understood either by its own 8-10, the Council of the Europe-member states, and even the space community or by its parting awareness that Europe is No space, please, we're Brit-going to be asked to bite off ish is no substitute for such a more than it can chew. They are concerned not only that the cost outcome of the ESA ministerial Director General for a new more than it can chew. They are long-term programme for the concerned not only that the cost agency. Mr Kenneth Clarke, of building the new intrastruction of the Duchy of Lancellor of the Duchy of Lancellor of the Duchy of Lancellor of the meeting.

The Director Connection was a new more than it can chew. They are long-term programme for the concerned not only that the cost agency will prove to be beyond Europe's means, but also that inevitable cost increases so that inevitable cost increases.

in coming years will cat into it has ESA's limited funds for operat- fields. ing space hardware. And the recurrent cost of maintaining and operating the infrastructure will be a heavy charge on the ESA budget for decades to come.

There is ample reason, there-

fore, for caution; but the UK can only exert a moderating influence if it remains one of ESA's major contributors. This does not mean the UK must participate in every ESA programme, but it does mean that it must have a national space policy against which to evaluate overall ESA strategy and individual programmes and projects. Ad hoc decisions on individual space programmes are a very amateurish way of proceeding, because of the complicated innot mean the UK must particibecause of the complicated in-ter-relationships between pro-grammes. The need for a space policy was one of the main rea-sons for creating the British Na-

tional Space Centre (BNSC) in November, 1985, and for charg-ing it with the production of a coherent national space plan. However, despite a number of recent government statements indicating that additional funding for space would not be available and stressing the importance of an increased contribution from the private sector, there has been no official statement on the national

What distinguishes the UK from space powers such as France, Japan, Canada, India and Italy - is not a lack of scientific or technological competence or espacity. It is the ab-

sence of an overall national space policy.
Comunity and consistency which the UK has always lacked in space - is essential to winning private sector support. No gov-ernment can be criticised if it decides that scarce resources must go to areas other than space. But to make that decision without a broad-based examination of the facts leaves govern-ment without a policy which can

meeting. UK scientists and industrialists are hoping against hope that the UK can show the same leadership and vision that it has demonstrated in other

The British space science community has a high reputa-tion worldwide. Scientists have been hoping that the formation of the BNSC signalled an understanding on the part of Govern-ment that future commercial benefits from space will rely on a broadening of the science base. This will not be possible if the present decline in funding is not reversed.

is not reversed.

UK industry would certainly not escape the effects of a decision not to participate in a reasonable way in the new ESA programmes. Most of the more than 300 UK firms involved have been continuously re-investing to be ready for the day when the UK would once again decide to raise its soare profile. when the UK would once again decide to raise its space profile. It would be melodramatic to prophesy massive job losses and an immediate erosion of technological skills if the UK were not now to make a positive gesture: but, because of the direct relevance of today's space programmes to the whole fabric of high-technology businesses and industries, and its growing connections with the service industries. Britain's abdication would be fell in many areas beyond the aerospace strongholds of Bristol, Portsmouth and Stev-

It must be admitted that the case for additional government expenditure on space has not so far been well presented; the case for the UK to remain a sig-nificant player in the space are-na is nevertheless overwhelming. France, with space spending at some seven times greater than in the UK, may be excessive; but it is hard to believe that France's detailed ex-amination of the question has led to totally unjustified invest-ments. True to Britain's reputa-tion for moderation, a middle way seems to be the order of the day for the British.

The author was formerly Direc-tor General of the British National

A Dutch

From Professor M Ellman.
Sir. Joe Rogaly's article on
Dutch education (October 23)
was well informed and very relevant to the current debate about British education. It con tains, however, one distortion fails to draw attention to the racial aspects of the main prot iem and also has an important

It is very one sided to suggest that it is now the policy in Am-sterdam that all future heads of sterdam that all future heads of state schools must be women. The policy is that, for a period of time, till a reasonable level of female appointments is reached, all new appointments should be women. This is a senshould be women. This is a sen-sible move designed to encour-age female applicants and es-tablish reasonable gender ratios in responsible posts in a profession which, as Rogaly hotes, is largely female. The usefulness of positive discrimination in attracting applica-tions from previously underpresented groups is wellown and a natural aspect of policy in countries where the authorities care about social

Rogaly correctly notes that under the Dutch system "the poorer children in the city centres have the worst of it". He fails, however, to draw readers' attention to the fact that in practice this largely means children of non-Dutch origin, egurinamers dren of non-Dutch origin, eg Turks, Moroccans, Surinamers etc. Hence we have the phenom-enon of "black schools" and "white schools". Worry about this is not confined to "private" conversation - it is widely dis-cussed in the Press. Given the constitutionally guaranteed "freedom of education" it is dif-ficult to do anything about it. Inficult to do anything about it. In ti-racial Britain is a surefire recipe for a second class educa-tion for black children and con-tinued racial injustice in

Britain. Rogaly omitted to draw readers' attention to the great bene-fits this country obtains from the absence of the high fee pay-ing schools outside the publicly maintained sector which play such a key role in the UK. The absence of such schools has favourable effects on social inte-gration, on standards in the publicly maintained schools and on the possibility of finding well qualified parents prepared and willing to become members of their board of governors. (Professor) M J Ellman, W Pyperstr. 63, 1077 XL Amsterdam.

Extraterritorial jurisdiction

From Professor Dr K Meessen. Sir.- In view of efforts to fend fronting the USA with one or tions regularly influence gov-more of its closest allies and ernment policies in the same friends, your legal correspon- way.

Letters to the Editor

dent seems to draw little comfort from the balancing-of-state-interests rule. US courts, his argument comes down to would in the end always prefer US interests to foreign ones. Mr A H Hermann made that point again in his assessment of

point again in his assessment of the Aerospatiale decision of the US Supreme Court (October 15). Unfortunately, as the lower courts are familiar with the federal rules (reflecting US interests) and unfamiliar with the Hague Convention (safeguarding foreign interests), they will always reach for the first and gladly avoid the second. Well, that danger exists. But it is fair to mention that, since Aerospatiale, three differ-

since Aerospatiale, three different federal courts found US interests, in the particular posture of the case, to be outweighed by the respective interests of Switzerland, Germany and an unidentified state X and, mainly for that reason renounced ordering a taking of evidence in those states even though a US order to that effect would have been in conformity with the federal rules: Minpeco v ContiCommodity (SDNY), Hudson v Pfauter (NDNY), in re Sealed Case (DCCir). The balan-cing test should not be disposed

of prematurely.

There are a number of situa-tions where interest balancing recommends itself as the lesser evil to any realistic alternative. Some of its undeniable short-comings could be remedied by developing standardized rules precisely through frequent ap-plication.

pheation. (Professor Dr) Karl M Meessen, Graduate Institute of Internation 132 rue de Lausanne,

Rule by the markets

Switzerland

From Mr J Clover. Sir, - Stockmarket crashes fo-cus the mind wonderfully especially when, as a small investor like myself, much of your

savings is in equities.

In the aftermath of the "October massacre", both the American and West German presidents have been pressurized into reversing economic policy decisions in order to halt the disastrous fall in share prices. Other countries will undoubtedly have to do so as well and we off assumptions of extraterritomay well arrive at a situation in the street in the severe market fluctua-

In other words, the power (individual countries to make autonomous decisions about heir own economies will have been seriously eroded. Perhaps this pressure towards interna-tional "co-operation" is good, but if governments are consis-tently blackmailed into favouring the requirements of the in vestment community, then a substantial amount of power will have been shifted into the

marketeers
The global 'Big Bang' was one
step towards world-wide economic and, by implication, political engineering. The crash of 1987 would appear to be the next, with more to follow.

There seems to be a subtle process of disenfranchisement of governments and their electorates taking place and a growing possibility of rule by the financial markets.

JR Clover

Splitting up the CEGB

From Mr A Cooper.
Sir, - There is much loose talk about splitting up the CEGB into a number of separate operating units and separating transmission from generation. My interests in this subject are that for nine years ending mid-1968 for nine years ending mid-1966 it was the board member of the CEGB responsible for the oper-ation of its 250 generating staation of its 230 generating sta-tions, including nuclear, and the national grid, together with the personnel problems of some 85,000 people. Before nationalisation, during the war years I was the chief engineer of the Central Electricity Board responsible for the operation of the grid system and the planned output of each of the locally owned generating stations. The number of power stations has by now been reduced from

250 small ones to less than 80 large ones, with a corresponding gain in efficiency and the grid system has been extended to meet the increasing demands of electricity users. There have also been organisational changes and these are still taking place but the basic operating principles have remained unchanged. They have been copied by most other developed countries with the exception of the USA which, after disastrous shut downs in power supplies over wide areas moved towards large scale interconnection.

What are the reasons for hav-ing a national grid system inte-grated with the generating sta-tions? Generation can be maximised in the most econom-ical stations and minimised in the most expension than swedth. the most expensive thus producing the lowest overall cost of production. The amount of spare plant required to cover breakforms and planned main. tenance can be drastically reduced for there is back-up capacity available by transfers over the grid system. In times of emergencies energy can be transferred immediately from distant parts to the affected arese eg during the war when Fulham power station received a direct hit Londonwas saved by

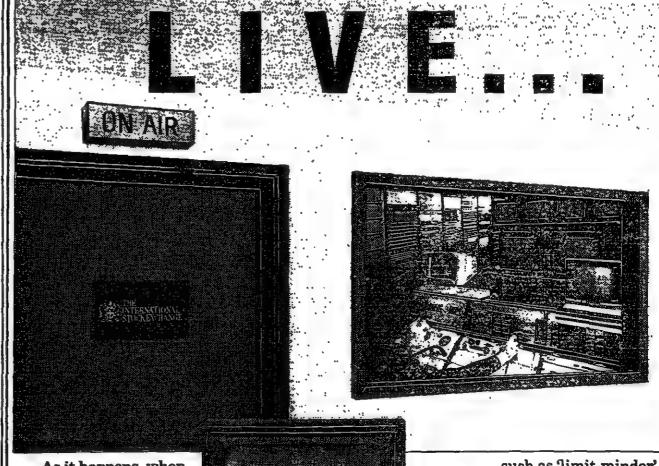
immediate transfers of energy from south Wales and Scotland. Today, at times of unpredict-Today, at times of unpredictable demand the pumped storage scheme at Dinorwig in north Wales can release an instant burst of power which will help the whole of the network. It would be absurd for its output to be restricted to one section of

split up grid system. What action can usefully be taken? Surplus power could be exported from private or indus-trial stations into the grid or in-to area board networks but as their prices, we are told, are controlled by the CEGB's bulk supply tariff, very little prog-ress has been made. This could be corrected. Combined heat be corrected. Combined heat and power projects could be en-couraged with the grid mopping up electrical exports as the sta-tions met the local demand for heat. Top level administration might be slimmed down. The risks of overmanning could be investigated by external man-agement consultants. It is feasible that area heards

It is feasible that area boards night be sold off as they stand might be sold off as they stand for they are separate entities which do not depend on interconnection with each other in order to function efficiently. By main point is concerned with the CEGB and the grid system. Introduce external independent audits on efficiency including manning levels, costs, prices, finel purchases and so on but do not disturb the hasic shape of the organisation. It has worked well for more than fifty years and stands high in its inyears and stands high in its inyears all station and ternational reputation.
Andrew R Cooper,
42 Hove Park Road,
Hove, Sussex.

Fingers on the button

From Mr S White. Sir,- With reference to the arstr., with receivence to the ar-ticles by Mr Prowse and Mr Ril-ey (October 24), the small inves-tor looks for an assurance that this dramatic fall was in no way stimulated by Yuppy lingers on computer keys selling a few odd willions of whose each day millions of shares each day knowing that by doing so they were certain to be able to buy back later at wast profits. 40 The Glade, South Cliff.



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FINANCIAL TIMES

Wednesday October 28 1987



UK CHANCELLOR TO MAKE FINAL DECISION ON SHARE ISSUE

Lawson favours BP sale go-ahead

Brazil puts novel deal to creditor banks

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

BY ALEXANDER NICOLL, EUROMARKETS EDITOR, IN LONDON

Mr Nigel Lawson, the British the lead bank, and then, in the Chancellor of the Exchequer, absence of agreement, the Bank London, while also removing a preference for continuing of England. These talks were large source of money.

Cal preference for continuing still at an early stage last night.

Mr Lawson did not offer much Noting the dampening effect the England. These talks were large source of money.

Mr Lawson did not offer much Noting the dampening effect the England and Engla cal preference for continuing still at an early stage last night.

Mr Lawson emphasised that learn share offer which closes at he would make the final decident today.

mons that he was surprised by on Friday.

the attempt of the 17 chief unlike attempt of the 18 chief unlike attempt of the 1

Both Mr Lawson and Mrs Mar-garet Thatcher, the Prime Min-the issue should go ahead. ister, stressed during questions

The predominant Conservathat they were "contractually" tive view is that the underwrited by the consultation process involving the Test tion process involving the Treathe past and that dropping the bust economic health and the osury. BP and N.M. Rothschild. issue now would give the imsound public finances in this tries.

dam today.

He told the House of Comdue to start in London at 2.30pm market price.

BRAZIL and its leading creditor banks are negotiating an innovative interim agreement which would partly end the country's eight-month old suspension of interest payments on \$68bn of medium and long-term debt to banks.

The two sides were locked yesterday in a second day of discussions in New York on a Brazilian proposal for an escrow account of about \$4.5bn, ont of which interest would be paid to banks. A substantial amount of the money, however, would be put up by the banks themselves.

The mechanism was put forward by Mr Fernao Bracher, after discussions with the US Treasury and Federal Reserve.

He and the 14-bank advisory committee hearded by Citibank and learned in washington this payment to banks without obanks are negotiating an inloans being downgraded by payment to banks without obanks without obanks without obanks are negotiators who are neeting in Washington this payment to banks without obanks are negotiators who are neeting in Washington this payment to banks without obanks are negotiators who are neeting in Washington this payment to banks without obanks are negotiators who are neeting in Washington this payment to banks without obanks are negotiators who are neeting in Washington this payment to banks without obanks are found for all of the payments would represent an expression of good faith by both sides that they were serious about reaching a new ion gestion that banks would contribute to the escrow account would implicitly recognized by both sides that they were serious about reaching a new ion gestion that banks would contribute to the escrow account proposal for the time being and evert a downgrading.

The Brazilian proposal is for a nector of the time being and evert a downgrading.

The Brazilian proposal is for large the fact that, once a full account would implicitly recognize the fact that, once a full account would implicitly recognized to the escrow account proposal for an escrow account, of about 75. The Brazilian proposal is for large the fact that they were serious about reaching

He and the 14-bank advisory

The device would defuse the say they cannot reach such an committee, headed by Citibank, domestic opposition which the agreement without linkage to a are seeking a short-term solu
Brazilian Government would Brazilian economic programme.

BRAZIL and its leading credition which would avoid Brazil-face if it made a direct interest

hope to the small investors who have already applied for the

which means that their cheques cannot contractually be can-

Noting the dampening effect on world demand from the sharp fall in share prices, he stressed that he had already responded by reducing interest

He would continue to watch the situation closely, and take whatever steps are required.

The Chancellor said he was in regular contact by telephone with his opposite numbers in the other major industrial coun-

Japan puts overseas law firms through the hoops

By Hazel Duffy in Tokyo THE HAMMER blow on the huge case of sake marked the ceremonial highlight of the lav-ish reception formally launch-

ing McKenna, the British law firm, in Tokyo earlier this month. Since April.1, when the statute permitting foreign lawyers to operate in Japan came into to operate in Japan came into effect, 16 American lawyers and six British have gone through the official hoops to be licensed to practise by the Japanese bar. Licences can be granted only to individuals, not to firms. McKenna has had two lawyers licensed, Clifford Chance three. Applications are being processed from other big law firms, including Slaughter & May and Richards Butler. It hardly represents a deluge of foreigners quening up to become bengoshi (lawyers).

The campaign started more than four years ego with a com-

running costs.

The implementation of the April 1 law is proving far from perfect, reflecting the Japanese bar's determination to keep for eigners out. Some of the law's restrictions

are also petty: lawyers must put their names first on the name-plate outside their offices, in letters the same size as the name of the firm, allegedly to avoid firms' names becoming too familiar to Japanese compa-

More important, lawyers can practise only the law of the country (or in the case of the US, the state) where they quali-fied.

That means they cannot prac-

tise Japanese law, take Japanese lawyers into partnership, or directly employ them - which could reduce their ability to of-

could reduce their ability to offer comprehensive advice
British firms are unhappy
about the stipulated qualification of five years' experience
for any lawyer applying to be licensed in Japan.
It excludes the very peopleyoung lawyers several years
away from becoming partners who might want to work in Japan and learn Japanese.
Surprisingly, a Ministry of
Justice spokesman said this
limit could be reduced to three
or even two years.

or even two years.
He also said that once a relationship of trust between Japa-nese and foreign lawyers had been built up, partnerships might be possible, as long as each stuck with its own legal

Ministry officials will also discuss with the Japanese bar a modification of the qualifying

monitozion of the qualitying examination to allow more Jap-anese candidates to pass - only about 2 per cent of candidates qualify and many who fail work as legal assistants

Recourse to the law in Japan is a last resort by tradition, af-ter all mediation has failed. By contrast in the US, and increasingly in the UK, lawyers are in-volved in commercial and fi-nancial transactions from the

This, of course, is where for-eign lawyers see their opportu-nities in Japan. They have been amazed that Japanese compaues do not use lawyers in com

That is changing with the in-creasing internationalisation of their activities and deregula-tion of the Tokyo financial mar-

kets.
The benefits of Japan opening its doors to foreign lawyers will be two-way - the first Japanese firm will soon open in London. In Tokyo, the Americans and British are seen by some Japanese observers more as a stimu-lus than a threat to a profession which has long hung on to its self-engendered exclusivity. the first foreigners will pick up enough business. Then the do-

mestic lawyers will be ready to

THE LEX COLUMN

The buck doesn't stop here

Since it was the threat of dollar collapse which set off the worldwide market crashes last week, yesterday's renewed weakness in the US currency is likely to add to nervousness. It leaks as the order to be the control of the collapse of t Australia All Ordinaries index 2400 looks as though the parties to the Louvre second have agreed behind the scenes to let the dol-1600 lar fall further - or possibly re-lations are now so bad between 1200 them that the whole pact is dis-solving. Certainly any deal to widen interest rate differen-tials between the US and other 800 countries - such as the cut in UK base rates last Friday - does not seem to extend beyond the UK. West Germany may come in for a lot more criticism yet. 400

of the actors are still a little hard to identify. Those who have most to loke by the Issue going ahead have the best reasons for keeping quiet about it, and the air is instead thick with protestations of higher principle. Meanwhile, the Chancellor of the the Exchequer remains deeply opposed to pulling the issue, and appears to be working on the emotions of the UK underwriters by leaving them to stare down the sun barrels until

Tokyo and Hong Kong stock markets yesterday served only to highlight the continuing downward slide of the Australian stock market, which only a few weeks ago was one of the stare down the gun barrels until few weeks ago was one of the the last minute.

It is with those underwriters, Over the last fortnight Australia

has emerged as the worst per forming major market, with the FT-Actuaries Australia index filling by a third compared with a 21.8 per cent decline in the world index. When account is taken of yesterday's 7 per cent drop in the Australian market the comparison looks even worse. Major Australian companies ranging from News Corporation to Elders IXL and the Rell Group have seen their the Bell Group have seen their share prices more than halved in the sell-off.

By September the Australian stock market had quadrupled in value since 1983, and the average multiple had risen from 7.3 d or the continuent of the con to 18.5 times earnings. By any conventional yardstick, it was clear that the market was grossly overvalued. However, a 51 per cent slump in the local metals and minerals index, which has come at a time of generally firm gold and commodities prices, is one of the more surprising elements in the slump in Australian equities. By con-trast, the fall-out in the entretrast, the fail-out in the entre-preneurial sector is more un-derstandable. The heavy gearing of many of these compa-nies and their emphasis on playing the stock market helped fuel the steep rise of local equi-ties. In a declining market, this kind of gearing works the other way. This factor, when com-bined with the cost of servicing some ambitious overseas ven-tures in the US and the UK, explains the concerns about the continued viability of some of Australia's high-flying tycoons.

While an emergency of any sort provides a good excuse forwriggling out of commitments, the withdrawal of TI Group's bid for Bundy can genuinely be put down to falls in the markets. It found itself in the theombriable position of having recommended to shareholders an offer which its advisers could no fer which its advisers could no longer judge to be fair value. This accounts for TI's about-turn even in the face of possible litigation from Bundy share-holders. Had the bid been for a holders. Had the bid been for a UK company, though, TI could have found it far harder to back out. Under Takeover Panel rules a change in general economic circumstances is insufficient reason for pulling out of an announced offer. And, in today's extraordinary markets, there may be recurring conflicts between the legal obligation to proceed with an offer once posted and directors' duties to set in the best interest of ties to set in the best interest of shareholders.

US and Europeans to continue talks on Airbus controversy

and Bass ALLEGIS, the Chicago-based travel group which is drastically cutting back its businesses announced yesterday that it had

The deal, which includes the sale of such well-known hotels as New York's Plaza and the Century Plaza in Los Angeles. marks the climax of a rapid-fire programme of disposals involv-ing more than \$3.5bn in hotel

sold its Westin hotels group to Japanese investors and the Bass family of Texas for \$1.35bn

Allegis

sells hotel

group to

Japanese

and car-rental assets. The sale, which is designed to part-finance a large cash distri-bution to Allegis's stockholders. raises the possibility that the company's major remaining asset, United Airlines, is dramati-cally undervalued in the cur-

rent demoralised stock market. Allegis, which fired its chairman and started liquidating it-self to repel a hostile takeover in the summer, said yesterday that it had signed an agreement to sell Westin's 20-odd hotels to Mr Robert Bass, the rich Fort Worth Investor, and Aoki, a Japanese civil engineering group, supported by industrial Bank of

The purchasers will also take on some \$180m in Westin's debt.
The sale of Westin concludes
the major restructuring of Allegis announced in June 1987," Al-

In a complete reversal of the conglomerate policy pursued by Mr Richard Ferris, its ousted former chairman. Allegis sold its Hilton International hotels to Ladbroke of the UK for \$1.07bn and its Hertz car rental group to investors led by Ford for \$1.3bn.

Allegis also confirmed yester-day that it was seeking to sell-part of its Covia Apollo airline reservation system, which analysts believe could be worth more than \$800m as a whole.

Allegis stock soared \$8¼ to \$60¹⁴ in early trading yesterday but sode analysts believe it is still undervalued.

Mr Tony Hatch, an analyst at Argus Research, believes that the current disposals will net capital gains tax. "We're talking about S9 a share for all of the airline and Covia," he said.

FURTHER talks between the Brussels on December 11. US Government and partners in the European Airbus pro-gramme are to be held over the next few weeks, in an attempt to end the current controversy over US allegations of unfair competition by Airbus in world

The row has been simmering for some time, with the US ac-cusing Airbus of selling its aircraft in world markets at cut prices, to the detriment of the US airliner builders. Efforts to resolve the problem through the General Agreement on Tar-iffs and Trade have failed.

A meeting of the trade ministers of the Airbus countries, under the auspices of the European Commission, ended late yesterday after several hours. an Commission, ended late yesterday after several hours. The objective would be to yesterday after several hours, foster a more favourable enviwith an agreement for officials ronment for civil aircraft trade to continue discussions and readuce trade tensions in port to a ministerial meeting in this area.

A meeting of the trade minis-

a proper manner."

The main aim of the forthcom-ing negotiations would be to re-vise the existing articles in the Gatt agreement covering sup-port for civil aircraft pro-

Brussels on December 11.

After yesterday's meeting, which was described as "friendity and non-confrontational," Mr Clayton Yeutter, US Trade Representative, said that in the meantime there would be no action by the US against Airbus.

Tit is not the intention of the US to damage Airbus as a firm."

The parties commit them-selves to search for mutually satisfactory solutions, in a spirit of mutual understanding. Solutions should promote international competition and facilities the development of aircraft manufacturing in a fair and economic environment." nomic environment."
With this in mind, the ministers have instructed their representatives to "resolve issues US to damage Airbus as a firm," he declared. "We believe strong-ly in competition, but our objective is competition in a fair and open way, with Airbus acting in concerning government sup-port, direct or indirect, in the development of large civil sir-The main aim of the forthcom-

The discussions will also range over such matters as avoiding possible adverse ef-fects on existing aircraft programmes, agreeing on how gov-ernment-funded military research and development with civil applications should be re-

couped, and improving consul-tation procedures in the even of future disputes.

Centinued from Page 1 White House tries to assert leadership

The question facing all the perticipants, as yesterday's reduction package, one which talks opened, was what sort of carries conviction that it will be compromise. At issue is not just how much the cut in the budget how much the cut in the budget deficit should be, but also where the priorities should lie.

So far as the size of the reduction is concerned, there is a growing feeling among budget which assume continued modern the worst thing to do would be to try to reduce the certain the worst thing to do would be to try to reduce the deficit by more than the \$23bn mandated by the revised In the fiscal year just ended on September 30 the deficit was get process reform law.

Sure the market, what is needed is a multi-year deficit will be carries conviction that it will be implemented but which does not hit spending in 1968 too hard.

It is also recognised that, particularly if a recession is immitted assume continued modern the projected \$163-179bn currently assumed on the basis that deficit by more than the \$23bn modeficit reduction is enacted.

Gramm-Rudman-Hollings budget process reform law.

On this view, bigger cuts

On this view, bigger cuts But if the uncertain outlook

Monday saw yet another Wall would add to the recessionary Street collapse has strength-ened their case. The question facing all the needed is a multi-year deficit

the political calculus. Republicans on Capitol Hill are already taking aim at legislation being proposed by the Democratic-controlled Con-

gress
Trade legislation, for example, contains provisions which would increase Federal spending by some \$70n. Welfare reform, farm credit legislation and catastrophic health insurance are also being targeted by Republicans as proposals the nation can no longer afford in the same way that the Democrats are attacking Mr Reagan's priorities: avoiding a tax inpriorities: avoiding a tax in-crease and protecting the de-

Continued from Page 1

Hong Kong market overlord appointed

dramatic falls on Wall Street on October 19. But when the Hong Kong market reopened on Monday the Hang Seng index fell a record 1,121 points, wiping HK\$206bn (\$25.72bn) off share values.

Yesterday's second package was hastily put together and the local bank rate was cut by one after similar cut at the week-

widespread institutional sup-

port from Hong Kong and China, steadied the markets after a new bout of nervousness had broken out with the suspension of 45 futures brokens - about 40 per cent of the exchange's total membership - for failing to meet

membership-for failing to meet ago".
margin calls.

margin calls.

The combined measures produced a minor rally in the stock market. The Hang Seng Index ended 154 points higher, at 2,395 after steady buying over the day

Sir David urged that Hong Kong's present problems were kept in perspective: The Hang Seng index now stands 20 per cent higher than just over a year

He reminded his audience that Hong Kong had come through financial crises before. In the mid-1960s the over ex ended 154 points higher, at 2,395
after steady buying over the day
by big banks and corporate investors. The spot Hang Seng futures contract rallied to close

'In the min-1900s the over extension of credit led to a banks
ing crisis. Hong Kong also suffered from the turbulent
spill-over of the cultural revolution in China."

Although it originally intended to keep only John Crane, the world's largest maker of me-chanical seals, when it bought Houdaille in August, TI is now prepared for the possibility that it might not immediately be able to sell the rest.

The market value of the stake has fallen to £15m since the Oc-

TI calls off Bundy deal Continued from Page 1

> vestment Trust had agreed to drop a proposal under which Pearson would sell its 16.9 per cent stake in Westpool back to the trust for £20m (\$32m).

How NEI is electrifying Saudi Arabia

NEI Reyrolle is bringing more power to Saudi Arabia. And that means new jobs on Tyneside.

We've won two major orders in five months, and we're now a growing strength in this important

NEI Reyrolle won a £36m switchgear order in May for two new substations in Khuff and Buraydah. Now NEI Reyrolle has won a second order that's worth £26m - for a further substation in Riyadh. Both orders involve NEI-designed 400 kV gas-insulated switchgear. Like the NEI equipment used at the UK end of the cross-Channel power link.

NEI Reyrolle has total turnkey responsibility and will be involved in extensive on-site work. £62m - that's NEI Reyrolle's export record in Saudi this year.

Proof that in this area NEI is the leading light.

For further information, contact NEI Information Services, NEI House, Regent Centre, Newcastle upon Tyne, NE3 3SB. Telephone: 091-284 3191.



Northern Engineering Industries plc

World Weather C 94 27 81 Reades 11 52 Rio de Jo 53 11 62 Rio de Jo 53 12 Rio de Jo 53 12 Rio de Jo 64 13 55 Singaran 2 65 Singaran 2 7 46 Singaran 2 7 65 Singaran 2 7 7 65 Singaran 3 5 Singa

separate \$220m sale of the peripheral activities of Houdaille Industries, the US engineering lost 9p yesterday to close at group, to a management-led investor group backed by US investor group backe

able to sell the rest.

TI will ask shareholders today to adjourn the special meeting until November 9, when it

tober 16 offer. Pearson said it
did not intend to realize its investment in Westpool in the current circumstances.



SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday October 28 1987



Chrysler third-quarter profits up 8% at \$253m

e design

The company also said it expects to lay-off about 3,500 salaried emto lay-off about 3,500 sataried em-ployees by the year-end, largely as a result of the integration of em-ployees and operations from Ameri-can Motors (AMC), which Chrysler

acquired in August.
The latest quarter's results were
the first to include the acquisition of AMC, but most analysts believe that this factor did not materially

CHRYSLER, the third largest US car maker, had an 8 per cent improvement in profits in the third-quarter, reporting net earnings of \$253m or \$1.15 a share. A year ago. Chrysler made \$225m or \$1.06 a share.

The commany also said it expects

Mr Iacocca said the final number of job cuts "may be more, may be less," but the 3,500 figure was "fair-

cost-cutting programme that the ever to ke company has had in place for several months. He said Chrysler inherited 5,700 salaried employees from things closs

affect the year-on-year earnings comparison.

However, Chrysler's quarterly revenues were boosted 19 per cent, assembly plant to bring Chrysler

booked \$16.9bn of orders for 298 jet.

BY OUR NEW YORK STAFF LF ROTHSCHILD, the prominent Wall Street broker which ranks

18th among the US investment

louses in terms of capitalisation, announced that it had suffered net losses of about \$44m - equivalent to a quarter of its total shareholders'

This is as a result of the "un-

precedented downturn in equity markets' during the past two weeks, the company said. The com-pany's announcement confirmed

market rumours, which had persistently identified Rothschild, which is

in no way linked with any of the European or British entities bearing

the same name, as a probable victim of last Monday's stock market

However, Rothschild's announce-

Nine-month net profits were down from \$1.06bn, or \$4.83 a share, to \$951m, or \$4.38. Sales rose from \$16.6bn to \$18.6bn.

Commenting on the collapse of Wall Street, which is widely expect-ed to exacerbate the downturn in the US car market, Mr Iacocca said that "the events of the past week The cuts were part of an ongoing have made it more important than ever" to keep on cutting the compa-

INTERNATIONAL BUSINESS Machines, the world's largest computer company, yesterday joined the rush by US companies to buy in their own shares with an aumouncement that its board had authorised the company to spend up to \$1bm to continue repurchasing its stock in blocks of at least 5,000 shares.

IBM's stock rose \$4% to \$116% in response. The company, which in response. The company, which has about 605.9m common shares outstanding, has watched its stock price fall from a record "We're going to be watching things closely in the coming weeks and months, but we're working on costs and revenues now," he added, suggesting further that politicians in Washington might do well to \$175%, reached in August. It has traded as low as \$102 after the stock market collapse on October

IBM said it had been buying back its own stock under a \$2.5hn programme initiated 19 months ago. Although that programme is nearly ended, "we continue to believe that IBM shares are a benefit of the state of the s good long-term investment."

IBM to

buy back

its shares

INTERNATIONAL BUSINESS

\$1bn of

By Our Financial Staff

The company would pay (or the new stock repurchases with general corporate funds.

Based on its current stock price, IBM will buy back up to 8.7m shares, or about 1.5 per cent of its total outstanding shares. As of June 30, IBM said that it had bought 14.1m shares under its ongoing repurchase programmes at a cost of \$1.9bn, for an average price of about \$133.80 a share.

Indosuez to advise Disney in Paris deal

By Paul Betts in Paris

THE WALT Disney company has chosen Banque Indosnes, a unit of Compagnic Financiere de Suez, the newly-privatised French banking and investment group, as its financial adviser for its Euas its financial adviser for its Eu-ro-Disseyland amusement park to open outside Paris in 1982. The first phase of the project involves about FFr15bn (\$2.5bn) in investments including the construction of a "Magic King-don" and the infrastructures assemble the paragraphic and the paragraphic paragraphic

ting together the linancing of the project which is expected to in-clude a private placement. Mr Antoine Jeancourt-Galig-

said Euro-Disneyland would in-voice what he described as an original financing package which was not expected to be affected by the current agitated state of the financial markets. The project represented a ma-

or new opportunity for Indosu-ex, which is already active in fi-nancing for the Eurotunnel, the Anglo-French Channel tunnel

venture.
Competition between banks for the Disneyland project had been fierce because of the scale of the

Sony resumes talks with CBS

SONY, the Japanese cons

SONY, the Japanese consumer electronics group, said yesterday it had resumed talks about its purchase of CBS Recards for the after being approached by CBS Inc., the parent company, Reuter reports from New York, "Sony's prior offer to purchase CBS Records was terminated following the CBS board of directors meeting on October 14," Sony said.

Boeing earnings hit **Sanctions** take toll by R&D spending on Amcoal BOEING, the world's largest air- tinue for the rest of the year. "Howcraft manufacturer, has reported a such a further deterioration in profits, mainly because of research and development costs and a lag before new projects contribute to carning. Net profits for the three months and participation in the disposal of such a share, compared with pointed out again that Beeing was \$157m or \$1.01 a year earlier fleve 1.57 cents a share, compared with pointed out again that Beeing was \$157m or \$1.02 a year earlier fleve 1.58 to rest of the year. However, severe competition among manufacturers continues to result in extreme pricing pressures, in creation in the disposal of older aircraft," the company mid. profits

SANCTIONS and lower export coal prices combined to reduce sharply the first-half turnover and halve profits at Anglo Amerand halve profits at Angle American Coal Corporation (Ameoal), South Africa's largest coal com-

pany.

This is the first indication of the effect of sunctions on coal ex-ports as the South African Gov-ernment has stopped publishing monthly minerals production and sales figures.

Turnsvar at Ameoal dropped to R556.3m (\$272.5m) in the six months to September from \$615.6m despite higher sales achieved by Verseniging Refractories (Verren), its manufacturing

tories (Verrel), its manufacturing subsidiary. Group pre-tax profits fell to Ri98.6m from R236.1m.

My Graham Bountred, the chairman, said total coal and coke sales fell 5.3 per cent to 19.25m tonnes. The drop was entirely due to lower export sales through the Transvaal Coal Owners' Association (TCOA), which has had its exports particularly said. cularly affected by US and Euro-

trade Africa. se of higher deliveries to

Mr Boustred added that the three-week strike by black miners had a material affect on proat Amcoal's under ground collieries but that coal deliveries were maintained by drawing on stockpiles. He was alrned at the effect that increases in rail tariffs will have on

the coal industry's profitability.
This year's earnings are expected to be substantially lower than those of the 1986-87 when pre-tax profits were R417.7m. The interim dividend has been maintained at 88 cents though net earnings per share fell to 265.4 cents a share from 424.0

Verrei, 67 per cent owned by Amcoal, lifted its sales and profits in the six months largely cause of improved sales of building products, although results at the refractories division also int-

Turnover.rose to R101.5m from R86.6m and the interim pre-tax profit rose to R11.1m from R8.6m.

Net earnings rose to 94 cents a share from 7.67 cents and the interim dividend has been lifted to 24 cents from 21 cents.

Inco third-quarter surge

57 cents a share, compared with \$157m or \$1.01 a year earlier. Revenues slipped to \$3.52bn from \$3.81bn. It was Boeing's fourth consecutive quarter of flat or lower for the nine months, net earnings were \$339m or \$2.18 a share, against \$474m or \$3.05 a year earlier. Revenues declined to \$10.76bn from \$11.36bn.

The Seattle-based company

The Seattle-based company booked orders for 59 jet and six turboprop aircraft worth \$3.5bn, taking the year-to-date total to 267 jet and 40 turboprop aircraft worth 514.9bn. A year certifier for 526 jet and 40 turboprop aircraft worth problems on several military programmes.

and 88 turboprop aircraft.

Boeing said the lower level of orders was still above its expectations and it hoped the trend would conproductivity.

of the de Havilland strike, Boeing said it would implement some work rule changes which should improve productivity.

LF Rothschild loses

\$44m in share slump

Following-the recent settlement

of the de Havilland strike, Boeing said it would implement some work

ment provided investors with reas-

surance that its remaining net capi-

tal of \$132.5m was well above all regulatory requirements and that li-quidity available to its broker-deal-er subsidiary, LF Rothschild & Co,

The company said its losses had been suffered mainly in the arbi-trage area, where it had enjoyed an important market niche. Arbitrage

companies, which buy takeover-re-lated stocks, have been among the

worst-hit victims of the collapse on

Rothschild said that it had "taken

measures, including substantially reducing securities positions, de-signed to reduce the risk profile of

was more than \$60m.

Wall Street.

BY DAVID OWEN IN TORONTO

INCO, the large Canadian nickel producer, reported a sharp upturn in third-quarter earnings because of improving prices and strong de-mand for its primary metals.

Despite the announcement, the group's shares closed down a hefty C\$3% at C\$17 (US\$12.9) on the Tor-

sell-off of last week continued un-abated.

Net income in the latest period totalled US\$41.4m or 36 cent a share on net sales of US\$415m, compared with earnings of just US\$3m (a loss of 1 cent a share) on sales of US\$306m in the 1986 third-quarter. In the nine months ended Sep-

onto Stock Exchange, as the mastember 30, net earnings were sive across-the-board stock market US\$50.2m on sales of US\$1.22bn, NORTH AMERICAN QUARTERLY RESULTS

MORTON Abresides	1967	1986	Net per chare	0.11 7.99bn 2m	0.47 7.63m 23.7m	Revenues Net Income	623m 603m 250	579.1m 55.6m 2.30	USG Beliding products, DIY	1987	1986
Third quarter Reverses	300.4m 12m	\$ 259.9m 5.9m	Net per share* La	*0.06	0.26	TELERATE Postopes information			Third quarter Represes	\$ 752.8m 44m 0.85	726.9 69.3
Op net p/str Mine months Revenues Op net income	0.58 917.5= 47.5= 2.29	0.30 848.2m 40.5m 1.99	PREDMONT AVIATION Adding	1987	1986	Third quarter Revenues Het Income	1987 \$5.9m 19.2m	1986 \$ 61m 111m	Newpower Comments Recomments Op and locarus	2.17bs 197.1m 3.63	2,03a 198,7a 3,0
PACIFIC LIGHTING	1987	1986	Third guarter Revenues Net Income Net per share Mine months	583.2m 33.9m 1,55	476m 25.1m 1.19	Histographics Histographics Hereauth Histographics	0.20 238.6m 51.9m 0.56	8.12 165.4m 30.3m 0.34	WESTERN UNION		
Third quarter Research Op set income	1.17bs 57.2m 0.94	\$ 1.23km 48km 0.79	Net per share	1.6bn 86m 3.96	1.36hs 54.9m 2.72	Net per share			Telecommunications Third quarter Revenues	1967 \$ 19919m	1986
Nine atombs Revenues Op set income	3.95bs 175.8m 2.89	4.02bm 34.6m 0.52	PREMARK INTERNATION Tapperware, homehold app	gaes:		Third quarter Response	1987 \$ 317.3m 18.5m	1996 \$ 296.60 1.5m 0.05	Net income	*3.65m *0.15 638.9m	2015 21 21 6754
PACIFIC GAS & ELECTRIC United Indiana Exercises	1986/7	1985/8	Third quarter Revenues Het income	1987 \$ 531m 13.6cc	1986 \$ 499.1m #37.6m	Op out pishr	0.49 578.7m 37.7m	811.1m *55.5m	Ret per share	*17.2m *1.47	675.6 *71.3 *3.6
Fourth quarter Revenues Met income Net per share	\$ 1.80s 204.5sz 0.47	20n 299.6m 0.73	Net per shire	0.40 1.57bn 44.9m 1.31	1,61bs *2.9m	Op and pitter		1.79	ZENITH ELECTRONICS Consumer electronics		
Revenues	7.3bn 775.6m 1.75	7.9bs 1he 2.65	* Less reflects \$44 A.M. BORINS	هلهٔ آخمی پر		Third quarter	1957 \$ 1.21ba	1986 916.1m	Third quarter	1967 \$ 991.8m	1986 513.8
PHILLIPS PETROLEUM Oil and gas			Pharmaceuticals	1967	1996	Op net begine Op net piskr Nine munits	51.2m 1.22 319be	(5.2m n/a 2.325a	itet income	*25.1m *0.99	3.9 0.1 1.35
Third quarter Revenue:	1987 \$ 2,86m 31m	1986 \$ 2,195a 113m	Third quarter Accesses	229m 26.6m 1.10	S 215m 25m 148	Op net pister	45.2n 0.25	•191.3m	Het income	*23.8as *0.99	*30.4s

Andrew Baxter reports on the ambitious growth strategy of a leading US group

Scott Paper unwraps expansion plans

SCOTT PAPER, the worlds largest ity" for Scott's growth prospects. producer of toilet tissues, yesterday Scott is already two-and-a-half announced plans to spend more times larger than its nearest than \$250m on new paper machines competitor in the European market for toilet tissues, paper towels and
This, it hopes, will lead to a 10 per
cent increase in its 6,500-strong Enropean workforce over the next per cent over the next 10 years.

The forecast is based on what

three years.

The plans, revealed in London yesterday by Mr James Cunningham, senior vice-president and head of Scott's European operations, are the biggest one-shot' spending announcement in the history of the company, whose brands include Andrex and Scottex.

Mr Cunningham noted that they were approved by the Philadelphia-based company's board after the "very shocking news" from Wall Street, where Scott's shares plunged from \$87 to \$61 last week.

The forecast is based on what scott sees as extremely attractive absolute market growth rates, particularly in countries such as Spain where the use of paper products is lower than elsewhere in Europe.

It also depends on the success of Scott's pan-European strategy, which has been developed over the past four years via investments in Italy, Belgium and the UK — where Scott last year paid \$60m for Bowaler Industries' 50 per cent interest in Bowater-Scott.

In Italy, Scott will spend more stranged from \$87 to \$61 last week.

Street, where Scott's shares plunged from \$87 to \$61 last week.

Mr Cunningham said the spending reflected the confidence the company had in Europe, which he itself and Spain, with eventual total described as the "number one prior-" apacity of 150,000 tonnes a year, as senduled for start-up in early 1990.

was to become a market leader across the full range of personal than 590m on a new tissue paper across the full range of personal than 590m on a new tissue paper are and cleaning products, he said.

As national boundaries within the growing southern Italian market. EEC are gradually removed, he predicted the consolidation within the ladescribed as the "number one prior-" apacity of 150,000 tonnes a year, as scheduled for start-up in early 1990.

pany will spend more than \$80m on converting equipment and a new paper machine at its recently chosen mill site at Orleans.

And in Spain, a new machine and converting equipment will be added at a cost of more than \$70m - at Scott's recently purchased Miranda del Ebro pulp mill in northern

Scott is also spending \$10m to re build a paper machine at Northseet, Kent, in Britain. Mr Cunningham noted that in-creasing the European workforce would depend more on the use of

the new converting equipment than on the paper machines themselves. Scott's long-term alm in Europe was to become a market leader

Eastern Air Lines suffers \$67m loss

BY OUR NEW YORK STAFF

of peak summer earnings in the tra-

Eastern lost \$67m after tax, but it lost \$169m in the first half of against a profit of \$18m in the third the year, roughly double the previagainst a profit of state with the first quarter of last year, before its acquisition by Texas Air. The bad results from Eastern, coming against appointing and adversely affected the background of the present upbeavals in the US stock markets,

EASTERN AIR LINES, one of the two main subsidiaries of Texas Air Texas Air, which is one of the most Corporation, the biggest US airline group, suffered a big loss in the third quarter, traditionally a period of peak support earnings in the traprecarious big companies in the US. Texas Air's other main subsidiary, Continental Airlines, has yet to report third-quarter earnings, but it lost \$169m in the first half of

Mobil slips 4% to \$319m in quarter

BY OUR NEW YORK STAFF

These earnings were 4 per cent to \$326m, while marketing and relower than the corresponding figures a year ago, after adjusting for a one-time loss of \$150m charged in the year-ago quarter following Mother than the corresponding figures a one-time loss of \$150m charged in the year-ago quarter following Mother than the properties of Control of the properties of the prope

tax in the third quarter of last year. to \$92m.

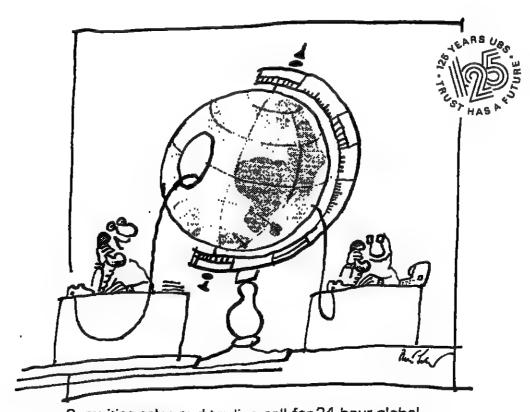
MOBIL, the second largest US oil Mobil's worldwide petroleum company, made net profits of \$319m earnings fell 12 per cent to \$397m. or 77 cents a share in the third Within this total, production and exploration profits surged from \$130m

bil's sale of Container Corporation competitive pressures and low mar gins, Mobil said.

of America.

As a result of this charge, Mobil
earned only \$137m or 45 cents after than doubled its profits from \$38m

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October 14, 1987

CPC International Inc.

has sold its

European Corn Wet Milling Business

Ferruzzi Agricola Finanziaria S.p.A.

The undersigned acted as financial advisor to CPC International Inc. and assisted in the negotiations.

Salomon Brothers Inc

One New York Plaza, New York, New York 10004 Atlanta, Boston, Chicago, Dallas, Los Angeles, San Francisco, Zurich.

Affiliates: Frankfurt, London, Tokyo. Member of Major Securities and Commodities Exchanges

Rising markets depress bonds

spelt lower bond prices yester-day, underscoring the inverse relation between debt and equi-ty prices which has emerged over the last week.

over the last week.
Sharp rises in Far Eastern equity markets, echoed in Europe yesterday morning, sent US Treasury bond prices sharply lower at the outset and the trend continued as shares in New York opened higher.

But bonds later recovered some of their losses, sustained by a continuing assessment of

by a continuing assessment of the recessionary implications of the stock markets prolonged fall, which could create room for lower interest rates.

for lower interest rates.

Sentiment was helped by relative stability in the dollar, dulling fears for the moment that the currency will become vulnerable to downward pressure as falling US interest rates narrow the gap between yields in the US and other markets. This week's White House-Congressional talks on measures to curtail the US budget deficit, and the dollar's reaction to the talks, will be the key near-term

focus of attention.

In the Eurodollar bond market, yield margins continued to widen in very low turnover with most inter-dealer trading being

falls of about % point.

Dealers noted a continued flight to quality among investors, with short-dated bonds for triple-A rated names - now yielding about 85 basis points over the US Treasury curve - in most demand. most demand.

Prices of Euroyen bonds eased by about 44 point, al-

INTERNATIONAL **BONDS**

though dealers said the sector

though dealers said the sector was still attracting some bargain-hunting interest given the high yields which have emerged after a long period of neglect by international investors.

Prices of both tranches of the recent Y300hn bond for Italy eased alightly. The 4½-year fixed rate portion was bid at 99.90, compared with a 101½ issue price, while the five-year callable floating rate note was quoted at less 0.20 bid, 0.01 per cent outside its faces.

But dealers said prices of

but dealers said prices of both tranches were sustained by the substantial preplace-ment which lead manager No-

Monday. The FRN was thought to have been mainly placed in

the Far East.

Japanese equity warrant
prices shot higher in response
to the rises in Tokyo shares.

Dealers said many warrant
prices had risen by nearly 100
per cent from earlier levels of

about 12 or 14.
Eurosterling bond prices fell in sympathy with gilts amid uncertainty over whether the British Government would postpone the British Petroleum privatisation share issue. If it does, it will have to arrange alternative funding in the gilt market. Three new floating rate notes emerged in the New Zealand

dollar sector, all unlisted and targeted at institutional Far Eastern demand.

Eastern demand.
S. G. Warburg Securities with
the Bank of New Zealand as
joint lead manager announced
a two-tranche issue for Bank of
New Zealand Cayman Islands
branch. Each NZS210m tranche
is priced at 100 10 and may be is priced at 100.10 and may be put at par. But the first tranche matures

in September 1990 and pays three-month New Zealand bank bill sell rate minus 50 basis points initially, and then 50 ba-

RISING world share markets done in amounts of only \$1m mura is believed to have carsis points under the four-month spelt lower bond prices yestereach side. Prices ended the day ried out before launch on rate. The other tranche matures day, underscoring the inverse almost unchanged, after earlier Monday. The FRN was thought in October 1990 and pays the three-month rate throughout its

Morgan Guaranty led a simi-lar NZ\$25m three-year issue, also priced at 100.10, for DFC Oversess Investments. Cayman Islands. This also pays three-month bank bill self-rate less 0.50 names are

0.50 per cent D-Mark Eurobonds closed about % point lower in this turnover as money flowed back into equities. The average yield on domestic bonds was 6.77 per cent, compared with 6.64 on Monday.

Monday.

In Switzerland, bond prices gained about 's point with higher-coupon issues popular across the maturity spectrum.

S.G. Warburg Soditic postponed a convertible for Healthrest, a US property company, while a SFr50m equity warrant bond for Pressier Consolidated Otifields of the UK, was also postponed.

Union Bank of Switzerland increased the coupon on a SFr500m equity warrants bond for Thomson-Brandt International from 2½ per cent to 4½ per cent, due to market conditions.

Suez to leave shares to market forces

COMPAGNIE FINANCIERE de Suez, the newly privatised French banking and investment group, will not try to support its share price at its FFr317 offer level when dealings begin to-

has an obligation to see that the share price evolves like the rest of the market, not worse, Mr Renaud de la Geniere, Suer's chairman, said yesterday.

"We always tend to have the musion in France that prices are fixed, that interest rates are fixed, but a market is a market." Mr de la Geniere said that grey market prices before the opening of official dealings did not give an accurate picture, since they reflected a narrow-ly-based and illiquid market.

Current indications, however, are that the Suez shares could

Gilts licence

NOMURA INTERNATIONAL the British arm of the Japa-

lodged an application at the Bank of England to become a primary dealer in the UK Gov-ernment bond market.

said his bank's view that mar-ket making in gilts did not of-

The Bank of England acknowledged yesterday that only four houses of the remaining 26 gilt-edged market-makers had made a prafit over the last year. It also admitted that market-makers as a whole had made a leas of 15ths over this period.

Yesterday, the first anniversary of the Big Bang deregulation of Leadon's financial markets, was the first day on which

bets, was the first day on which

personnel, including two sound let-makers from Hill Saunal Wood Macleonzie. Daiwa is believed still to be looking for people to run both trading and

A Daiwa official said the

A Daiwa official sain the company was in the process of gearing up its gilts operation, but had not yet lodged an application at the Bank.

Yamalchi International Europe said it had not applied for the bank.

a licence. It would, however, review the situation at a later

recruiting a gills team. The idea of establishing an agency brokerage initially was under

Morgan Stanley Internation-al, the US bank, another focus

for speculation, appears to have ne plans to apply for a pri-

mary dealership. Deutsche Bank Capital Markets in Lon-don said it had no plans to start

trading in UK bonds.
Nikko Securities are not thought likely to apply at this stage although it is trying to recruit traders to deal in glits on an agency basis.

sought by

Nomura

By Janet Bunk

first French privatisation response to the public share of-shares not to open at a premi-um.

But Wr de la Geniere said that rival, which was privatised in um. But Mr de la Geniere said that

a pormat French or international equity offering.

Banks may be called on for up to 30 per cent of the amount they have underwritten for the first month, 20 per cent for the next two months and 10 per cent for a further three months.

But Mr de la Geniere said that the results of the Suez flotation yere very good in the light of stock market conditions.

The company received 1.6m applications for 98m shares nearly five times the number of shares on offer. The oversess share offering was 11 times oversubscribed.

The Suez underwriting syndicates - a relatively small group of banks - is bound to take part in much more extensive price regularisation operations than for a normal French or international equity offering.

gether its consumer banking ingether its consumer panaring in-terests such as Banque Sofiuco and Banque La Henin. This holding company and Suez's other banking subsidiaries could then eventually be floated, siways keeping at least

of the group.

The only exception to this could be Banque Vernes et Commerciale, which specialises in the same corporate hanking sectors as Suex's main banking operation, Banque Indosuez. The cession of Vernes has not

The cession of Vermes has not been ruled out.

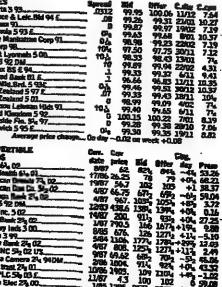
Mr de la Geniere said the stock market turmoil should not affect Suez's operating profits for the year, which are expected to be between FFr1.2bn and FFr1.4bn (\$202m and \$235.6m).

On the capital account, Suez had already realized about FFr800m of gains by the end of September, but if the market continues at current levels it may have to make loss provisions on some of its more recent investments. The company is, for example, currently showing a paper loss of about FFr20m on the 10 per cent stake it took on the 10 per cent stake it took this year in the hotel group Ac

FT INTERNATIONAL BOND SERVICE

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Newfoundland 5% 00 Polly Peck 6 92

INTL. COMPANIES & FINANCE

Deficit

reduced

Fokker plans equity issue to enable state purchase

on Monday.

Initial reaction on the Amsterdam Stock Exchange was sceptical, with the share price drifting 4 per cent lower to F13 before trading was suspended for the equity issue news. This occurred only hours after trad-

FOKKER the troubled Dutch aerospace concern, plans to launch an equity issue enabling the Dutch Government to take 49 per cent of the company at a price of about F1 100m (\$49m).

Details of the state's planned stake in the aircraft manufacturer were disclosed yesterday, as the stock market had its first opportunity to evaluate the financial bailout plan announced on Monday.

The number of shares, which will be priced at F1 20, will depend on whether current stock-holders exercise their pre-empotative to take up the new state-guaranteed commercial loans are being eased.

In return, Fokker is being forced to strengthen its depleted management, sharply cut production costs and find a

In return, Fokker is being forced to strengthen its depleted management, sharply cut production costs and find a

Brown Boveri sees sharp rise

BBC BROWN BOVERI, the resume dividend payments, Dr Swiss electrical engineering group which is merging with Ases of Sweden, expects a "marked increase" in earnings "his resume dividend payments, Dr first half, at just over SF 750n, last payout to shareholders was were SF 7500m down on the corresponding 1986 period. Group sales in 1987 will fall However, in July Brown Bovers of last payout of last payout falls were SF 7500m down on the corresponding 1986 period.

this year.
A brief announcement from A oner announcement from the group's Baden headquarters yesterday did not translate this forecast into figures but in May, before the announcement of the merger with Asea, Dr Fritz Leutwiler, the chairman, said the aim was to double not earnings to around SFr200m(\$137m).

Group sales in 1987 will fall short of last year's SFr13.83bn, a result boosted by the billing of a nuclear power plant for West

Germany.

At the half-way stage this year, sales had reached SFr43bn, against SFr49bn for the first six months of 1986. But, if the nuclear plant is excluded, to around SF7200m (\$137m). annual turnover would be up
If that target was reached, slightly on the 1986 result.
Brown Boveri would be able to Brown Boveri said.

thority at an extraordinary general meeting on November 11 for a one-for-five rights issue to holders of both shares and not-voting stock.

KIO builds \$2.4bn holdings in Spain

at Elkem

ELKEM, the Norwegian metals group, reported a loss of NKr125m (\$18.8m) before extraordinary items in the first nine months, compared with a loss of NKr151m the previous

The group's results have been affected by low prices for ferroalloys and weak demand during the summer months. Elkem said that while the in-ternational markets for fer-

realional markets for rer-realloys are improving slowly with prices for nost products increasing over recent months, these improvements have not shown up in the results yet be-cause deliveries in the third quarter were based on con-tracts signed when prices were

Operating profit rose from NKr51m to NKr149m, with a strong improvement in the third quarter, although the group was hit by currency losses of NKr8m in the quarter. Operating profits are expected to show an improvement this year.

The group's extraordinary items gave net income of NKr22m, compared with NKr2m the previous year, due to the sale of shares in Kvaerner, the leading Norwegian engineering concern, and other

THE KUWAIT Investment Office (KIO) has built up direct
holdings in Spain over the past
14 months worth some \$1.77bn. Barcelona, and a 5 per cent inwith a further \$850m worth of
indirect holdings through Torras Hostench, the Barcelonahased paper company accord.

The KIO representatives said

based paper company, according to representatives in Madrid.

The KIO representatives said that despite sharp falls in stock market prices over the past few rid.

The holdings, valued at current market worth, include important stakes in the pulp and paper, chemical and sugar industries, banking and real es- clude the Ence stake, was based on Monday price levels.

The KiO representatives revealed that the organisation had recently increased its shareholding in Torras Hostench from 37 per cent to 45 per cent.

Monday price levels.

They forecast pre-tax profits for Torras of about \$200m this year, compared with Pta9.5-ibn (\$33m) in 1986.

KiO has also become the big-

gest shareholder in Spain's largest commercial bank. Banco Central, with a 4.95 per cent diand that 10 102 and 20 per cent stakes in the chemical groups. Union Explosivos Rio Central, with a 4.95 per cent digroups. Union Explosivos Rio Central, with a 4.95 per cent digroups. The cent and 22 per cent respective. It is a superior control to superior cent bought by Torras. Other direct interests involve a 34 per cent stake in a property group. Prima Inmobiliaria, and resolve differences with Mr its own real estate in which it has invested \$75m.

Torras has been negotiating with the chemical companies to resolve differences with Mr Jose Maria Escondrillas, the ERT chairman, and to clear the way for merging the chemical groups' fertiliser interests under a government-backed plan for reorganising the sector. This would in practice mean splitting off part of ERT.

KIO said Torras had also bought up 10 per cent of the shares in the leading Spanish sugar company Ebro.

sugar company Ebro.

These investments come in quillity over the recent stock

LORAINE GOLD MINES LIMITED

Incorporated in the Republic of South Africa Reg. No. 05/39138/06

Declaration of Ordinary Dividend No. 10

The following dividend has been declared for the year ended 30 September

Ordinary dividend No. 10 of 135 cents per ordinary share.

The dividend has been declared payable to members registered in the books of the company at the close of business on Friday, 20 November 1987. The dividend has been declared in the currency of the Republic of South Africa and payment will be made in United Kingdom currency. The date for be converted into United Kingdom currency will be 30 November 1987 or such other date as set out in the conditions subject to which the dividend is paid. These conditions can be inspected at 77 Fox Street, Johannesburg or office of the London Secretaries of the company. Warrants in payment of the dividend will be posted on or about 18 December 1987. The transfer books and registers of members of the company in Johannesburg and London will be closed from 21 to 27 November 1987, both days inclusive.

> By order of the board ANGLOVAAL LIMITED Secretaries per: K. G. Williams

27 October 1987 Registered Office Anglovaal House 56 Main Street

2001 Johannesburg

London Secretaries Anglo-Transvaal Trustees Limited 295 Regent Street London W1R 8ST

(P.O. Box 62379) Directors: D. J. Crowe, Chairman (British), B. E. Hersov, L. Hewitt, K. M. Hosking, G. C. Krafft, W. W. Malan, Clive S. Menell, S. W. van der Colf, R. A. D. Wilson,

Alternates: F. S. Clarke, K. A. West, P. J. Eustace, J. H. J. Burke, J. J. Geldenhuys, J. E. van Niekerk, B. J. Funston.

Swiss bank to go ahead with overseas expansion

will shortly open a representa-tive office in Hong Kong.

After operating for two years in London as a licensed deposit taker, Swiss Volksbank has just received from the Bank of En-

responding 1986 period.
However, in July Brown Boveri secured a large order for 12 gas turbines from Consumers'
Power Company of Jackson, Michigan. This would ensure the order book to grow faster this year than last, the group said.
Brown Boveri will seek authority at an extraordinary gen-

engineering concern, and other companies.

Group turnover rose by 8.5 per cent to NKr5.57bn. Ferroalloy sales moved up 4 per cent to NKr2.58bn. cent to NEV3.680 p.

addition to moves to strengthen

from 37 per cent to 45 per cent, and that Torras had raised its 15 per cent stakes in the chemical

SWISS VOLKSBANK, the fourth largest Swiss bank, believes it can maintain 1987 earnings at the same level as in 1986. But bank booked net earnings of Mr Walter Ruegg, its managing SF116.3m (\$79m), up 15 per director, warned that the past few days' events on international stock markets makes forecasting difficult.

In any case, Swiss Volksbank war, the balance sheet total

In the first nine months of this year, the balance sheet total is pursuing its plans to boost its activities abroad. It has applied for a state commercial licence in New York and for a securities trading licence in Tokyo. It Profit development had been will shortly open a representa-

Nokia trebles earnings

BY OLLI VIRTANEN RI KELSHIKI

and minority interests to FM668m (\$155m) during the first eight months of 1987, compared with the corresponding period stronics, Nokis's largest busi-

with the corresponding period last year.

This compares with a profit of FM694m for the whole of 1896. Net sales during the first eight months of this year increased by 17 per cent to FM8.29bn. Nokia expects net sales for the full year to increase by 12 to 13 per cent on last year's total of FM 11.99bn.

NOKIA, Finiand's largest publicly quoted company, with interests in electronics, cable, paper and rubber products, has largely improved by two wartrebled its profit before taxes and minority interests to \$200m during the peaked.

11.99bn.
With the substantial increase
In profits and improved liquidity, says Mr Kari Kairamo, the

which saw net sales increase by
55 per cent to FM769m, while information systems grew by 19
per cent to FM 1.07lbn.

BAT Danish affiliate advances

BY HILARY BARNES IN COPENHAGEN

SKANDINAVISK Tobakskompagni, the unlisted Danish cigarettes and tobacco producer in
which British American Tobacco has a majority holding. Increased pre-tax profits to
DKr488m (\$72m) from DKr410m
in the year ended June 30. Sales
increased from DKr1.91bn to
DKr2.01bn, with exports up
from DKr739m to DKr893m.

Rising exports contributed to
the past few years in strongly
boosting the sale of its Prince
brand cigarettes in West Germany, where they now rank as
17th most sold brand out of 250
Net financial income increased strongly last year, rising from DKr18m to DKr47m.



Woodside Financial Services Ltd. (Incorporated in the State of Victoria)

Guaranteed Floating Rate Notes due July 1997 Unconditionally Guaranteed by Australian Industry Development Corporation

In accordance with the Terms and Conditions of the Notes, notice is hereby given, that for the Interest Period from October 28, 1987 to January 28, 1988 the Notes will carry an Interest Rate of 7146% per aroum. The amount payable on January 28, 1988 will be U.S. 4,911.46 and U.S. \$196.46 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

October 28, 1987



MITSUI FINANCE **ASIA LIMITED**

(Incorporated in the Cayman Islands) US\$150,000,000° **Guaranteed Floating-Rate Notes 1997**

In accordance with the provisions of the Notes, notice is hereby given that for the three month period, 28th October, 1987 to but excluding 28th January, 1988 the Notes will carry an Interest Rate of 7th in the per annum. Coupon will be US\$202.85 on the Notes of US\$10,000.

Mitsui Finance Trust International Limited Agent Bank



MADE IN EUROPE, THE WAY EUROPE WA

Andrex and Scottex have been household names in Europe for over twenty years.

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Scott's 6,500 employees in seven European countries, make and market personal care and cleaning products with sales of US\$746 million in 1986 - 23% up on 1985.

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Now we are putting our money where our commitment is.

We are investing more than \$250 million in three new paper machines and other equipment.

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Investment means jobs too. In fact over 600 jobs for Europeans will result directly from this investment.

Scott's European operations have demonstrated their ability to win.

Scott is committed to the growth opportunity in Europe.

So now Scott is investing more in Europe. For its future and the future of Europe.

Making products in Europe, by Europeans and for Europeans.

Scott Paper Europe, Windsor House, 55/56 St James Street, London SW1A 1LA. Tel: 01-493 2554.

that a company which had izunched a formal tender offer

After the crash, cash becomes king

TI Green yesterday became the first British company pub-licly to kill a takeover in the light of the current stockmarket turmoil. But if the engineering group's action so far down the groups action so far down the bid road causes its decision to hit the headlines, the example was hastily being copied by merchant bankers and their clients throughout the City.

"You could say warra pulling

You could say we're pulling everything - left, right and centre, commented one merchant banker. We had four huge things coming up, a couple of transatlantic deals and a couple in the UK. One was such a good thing we may try to save it, but the others will die."

The immediate problem is simple - the inability to underwrite deals at anything like a

"Of the half a dozen funds which I would normally ap-proach to take £25m to £50m, a couple have already ap-proached me to say they cannot take one penny, mourns a hard-pressed corporate finance

That point is, for once, readily confirmed by most institutional investors - and regardless of the Government's decision over the

"While we realise there good value out there, the volatility is such that that it's impo-While we realise there is sible to take a view on the mar-ket," comments Mr Dick Barfield, head of UK equities at Standard Life. "It's very unlikely we'd be willing to underwrite unless the discounts were very high - which the issuers probably wouldn't want to do." The need to underwrite, of

course, only applies to those deals dependent on the issue of paper by the acquisitor, either ill-advised to take on so much to raise cash or fund cash alterdebt in the light of economic

Pressec Holdings, electro-me-chanical component manufac-

chanical component manufac-turer and precision engineer, yesterday reported sharp in-creases in turnover and profits for the third successive year. Sales for the 12 months to July 31 were up by almost 25m and exceeded 230m for the first time, while pre-tax profits were

up by 64 per cent from £1.72m to

After tax of £1.16m (£809,000), minorities of £12,000 (£10,000) and £42,000 for the preference dividend net attributable prof-

its were £1.62m (£863,000) for earnings of 20.2p (10.8p). The to-

tal dividend is raised from 2.5p sively.
to 3.125p with a proposed final The new finance
payment of 2.275p (1.8p) per 10p commenced well,

natives. The sole bull point to emerge from the past week's turnmoil is that certain potential targets now look cons bly more reasonable for those lucky predators with each in hand.

That, at least, was providing comfort for some houses yester-

will inevitably result in a reduction in the volume of transac-tions," argued Mr Michael Sorkin. head of corporate finance at Hambros. but if markets sta-bilise, new types of opportunities will emerge. The big hos-tile, underwritten deals are over for the moment; there'll be more activity by cash-rich clients who were unwilling to pay the high prices before the mar-

At Morgan Grenfell - which during the first half of 1987 re-tained its position as the most active merchant bank on the takeover front - Mr Richard Webb, corporate finance director, concurs. "A number of com-panies with cash resources are dusting off files which have been closed for months." But he concedes that even these clients may stay on the sidelines for a few weeks in the hope that some stability emerges - and some stability emerges - and that even then the scale of deals will probably be reduced, a re-flection of the fact that cash is inevitably limited while paper

The real pessimists, however, predict that even cash bids would not be immune if recessionary forces develop. One banker talks of a large leveraged deal which has been scotched on the grounds that the purchasing client would be ill-advised to take on so much

Mr John Wagstaff, chairman

said the substantial increase in group profit was achieved by an excellent all-round perfor-mance. Sales showed good growth in telecommunications,

automotive, TV and specialist engineering. Tight overhead control ensured that this growth

was more than proportionately converted into higher profits.

Overseas sales now represent over £7m of turnover. The im-

provements were particularly noticed in the US where de-mand for the group's products continued to strengthen impres-

aively. The new financial year had

All-round rise lifts Pressac 64% to £2.8m

DONTEDEALE

financial information incorporating

A.F.P. A.P. Standard and Poors, Kyodo.

Reports, Commercial Paper.

The City Code Take-overs and Mergers

A change in general economic, industrial or political circum will not justify failure to proceed with an announced offer: to justify

uncertainties. There is a danthink the same way, the cumulaslowdown in the real economy.

If bid activity has, in many cases, either been aborted or at least put on ice, other aspects of corporate finance activity are faring a good deal worse. Con-ventional fund-raising plans have universally returned to the back-burner - leaving some advisers to predict a surge in higher yielding convertible is-

Properties yesterday reported a gratifying 55 per cent take-up on its £40m issue of 5% per cent convertible preference stock something of a success given the Properties yesterday reported a gratifying 55 per cent take-up on issue of 5% per cent tions are more favourable. Convertible preference stock—something of a success given the market conditions. Last night the stock was trading at 97p against the 100p issue price.

On the new issue front two specialist retailer, have all gratifying their issues until conditions are more favourable. For those companies already meanwhile, TI's last-misual decision focuses attention on the ability to clamber out of deals on either side of the Atlantic.

Pressac is a company transformed. In early 1965 chairman John Wagstaff took over an old fashioned family firm (started, as it happens, by his father just after the war but with different menogement in between) that

after the war but with different management in between) that had got big but didn't know how to handle it. In tandem with finance director Geoff White, Mr. Wagstaff cleaned up the company, taking it from a £2m overdraft at July 1985 through a cash neutral position last year and to the present £730,000 cash-in-hand. The three divisions, automotive. telecommunications

motive, telecommunications and TV, contribute equally to sales though cars give marginal-

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brave companies have bucked the trend this week to come to the Unlisted Securities Market by way of placings. Both Fairway, a distributor of office staway, a diskribitor of other as-tionery, and the Company of De-signers, argued that they had invested too much management time and effort to abort at this stage. Instead, they cut the price of their shares and issued more of them in order to raise the same amount of money as originally intended. But Allied Bestaurants, a fran-

chised Wimpy Burger chain, Paragun, a firm of public rela-tions consultants, and Blazer, a specialist retailer, have all

ly higher profits. Pressae makes 50,000 printed circuits for dash-board instrument control panels every day, and has 50 per cent of Ford and Chrysler's US business and 20 per cent of GM's. A downturn in the US economy could heavily hit the

aconomy could heavily hit the auto side. On the telecommuni-cations side, Pressac is the lar-

cations side, Pressac is the largest supplier to BT of wall sockets (the white boxes our phone leads go into) and it makes 85 per cent of all the extension socket kits sold. A new product, to enable BT to remotely test equipment to ascertain whether the fault is for private equipment.

equipment to ascertain whether the fault is its or private equip-ment, is a big growth area. The shares closed inp up yesterday

But if one message rang out slearly yesterday, it was that voiced by Mr Richard Templeton of Robert Fleming: "Cash is king at the moment." Report by Nikki Tait, Clay Har-ris, Steve Butler and David Wal-ler.

Warner Howard rises 32%

to the stock market in June, an-nounced a 32 per cent rise in pre-tax profits from £1.2im to £1.6m for the half year ended

August 31.
Turnover for the group, which is a leading supplier of commercial laundry systems and warmcan introlly systems and warm-air hand dryers, was f831m (f8.11m). Mr Ronald Hooker, chairman, said the core busi-ness had been expended with increasing emphasis upon new rental business, resulting in

higher marging.
An interim dividend of 0.85p is being paid from increased earnings of 6.85p (2.85p) per 5p

Activity remained at a high level, the chairman said, and the second half was viewed with

confidence.

He added that the group's strong financial position enhanced opportunities for appropriate acquisitions and that ne-

suitable for rental, which was of particular interest to local au-thorities. In addition, the introexisting customer base. Those products were not expected to contribute to profits during the current financial year.

Operating profits for the six months came out at £1.67m (£1.35m) and the pre-tax result was after interest charges of

was after interest charges of £72,000 (£139,000). Tax took more at £559,000 (£351,000). Last time there were minorities of

Intl. Signal shareholders agree to merger

Shareholders in International Signal & Control, the US de-fence contractor with a UK list-ing have voted overwhelmingly in favour of the agreed merger in favour of the agreed merger with Ferranti, the UK electronics company, which took the form of a share-only offer from Ferranti for ISC's shares.

When the fibs merger was amounced last month, there was much speculation that it would be frustrated by a rival bid for ISC and its shares remained obstinately above the value of Ferranti's bid.

However, the threat of another hid has been removed.
Shareholders with 74 per cent of ISC's equity have accepted Ferranti's offer, and it has been extended until November 13.

IN BRIEF

VALUE AND INCOME Trust:Net asset value per share ruse from 55.1p to 64.2p in the six months to September 30 1987. In the same period, stated earnings per share were 0.57p compared with 0.83p. The interim dividend has been maintained at 0.625p net.income before tax was down from £585,000 to £479,000.

to £479,000.

J.W.SPEAE (games and toy manufacturer): Allied Entertainment Holdings has sequired 38,500 shares and now holds 372,500 shares, representing 14,12 now rant.

14.13 per cent.

FOSECO MINEREP has agreed terms for the sale of its loss-making Craelius operation to Diamant Boart of Belgium for

N. Brown profits up 79% to £5m at halfway

By Alica Remethons

N. Brown, the mall-order group which has recently diversified into financial service, pesterday ansounced a 79 per cent increase in pre-tax profits to 54.9m for the first half of its financial year.

Mr David Alliance, who is chairman and whose family owns a controlling interest in the group, said that the present antunn/winter season has begun well for the mail-order division and that the financial services business is experiencing from the August 20. Earnings per share increased to 11.5p (7p). The board proposes an interim dividend of 3p (2.25p) and to split the ordinary shares into two.

isunched a formal tender offer would not normally be allowed to change its mind. It is confident on advice of US and UK lawyers - that its fiduciary duty to shareholders under UK law reigns suprema.

It is an argument that is likely to be tested by Bandy shareholders who yesterday saw the price of their shares nearly halve once the prop of IT's cash offer was memperically removed. In the UK, despite the Take-over Code's clear guidance that a change in general economic, industrial or political circum-stances does not justify a fail-ure to proceed, the issue has not been put to the test in recent

Any effort by a bidder to ap-ply offer documents' standard "material adverse effect' clause to external circumstances rather than a specific development at a target company (as in mid-bid renegotiation of the APV merger with Baker Perkins) would probably provoke a lengthy legal challenge. The suddenly reluctant bid-der has assist years of accounts.

The suddenly reluctant bidder has easier ways of escaping, however - most simply perhaps by deciding not to waive the requirement of 80 per cent acceptances. In theory, a bidder looking for a way out could quistly heave a sigh of relief at failing to reach this level, declare the offer lost (even if a majority of sharsholders had accepted). But if one message rang out

terim arrivered of of (2.23) and to split the ordinary shares into two.

Hall order, specifically the J.D. Williams series of catalognea, still provides the bulk of N. Brown's business. The turnsyer of this division increased by 30 per cent to 228.8m and profits by 40 p

group. Last year N. Brown diversified into financial services with the acquisition of Martitt & Turnbull, a specialist life and pension brokerage. It has since augmented that business by buying Buly, Harvey Mack-ay which is based in Rirmingh-

am.

The group has also ventured into commercial property services with the purchase of Dunlop Reywood. These financial and commercial property activities contributed pro-tax profits of film in the first half. Mr Alliance expressed his "confidence" in the group's prospects for the full

•comment

At a time when so many spail-order houses are failing over themselves - and often fint so their faces - in an attempt to prove just how young and fashionable they can be, N. Brown has stack stabbernly to just olderly and old-fashional catalogues. The result has been extraordinarily successful; so much so that the company not only binared as one of the best performing stocks in the bull survice but has emerged unserthed from the crash. The newe into financial services makes numerical sense in that it will balance a cash-lungry mail-order business with printe acquisitions and that negriportiations were underway to acquire a complementary business of modest size.

The group had recently introduced a further range of commercial laundry continuent likes are new floating a new market for the N. Brown database. The like N. Brown database. The likes of last year's acquisitions are new floating a new market for the new floating and likes are new float and the City expects a surge in profits to \$15m and ceraings per share of 30.6p for the full year. In an orderly martest that should empare another rise in

Crest Nicholson sells electronic side for £1m

to Ogleshy and Butler Group for about £L.83m in cash.

The sale consists of W.Greenwood Electronic and the business and assets of Oryx. Electrical Laboratories, businesses which showed a large fall in pre-tax profits from £112,000 for the year-ended October 31, 1985 to 27,000 for the year-ended October 31, 1986. Net tangible assets at that date

were fillin.
Crest has raised some filder Crest has raised some El-Im
in each through businesses
sold during the last year, the
company said, adding that this
was part of its strategy to concentrate both its financial and
management resources on its
housebuilding, property and
other construction-related actabilities.

Celltech planning private placing to fund expansion

The seven-year-old company has a portfolio of six of its ownpharmaceutical inventions, some of which could cost about 230m-40m to bring to the mar-

Cellisch's turnover - expected to exceed £11m in 1986-87 when it should also show a small profit for the first time - derives mainly from contract research and manufacture.

Mr Gerard Fairtlough, chief executive, explained Celliseh's plans for expansion in London yesterday and said typically it was reckoned to cost about \$100m (\$59.5m) to bring a major new drug on to the world market.

het.

But Cellisch planned to spens on Britain and western Europe, while other major markets such as the US and Japan would be exploited through partnerships.

Drugs for which the company has great hopes include agents for freating toxic shock and brain haemorrhage, and for protecting hone marrow against damage by radiation and anticancer drugs during cancer therapy.

therapy.

Mr Fairtlough acknowleged that should all its drug prospects succeed in reaching the market, Celitech would need a great deal of cash to exploit systems.

Cellteck, British bio-technology research company, is planning a private placing of shares both in the UK and abroad to raise millions of pounds in support of its plans to become an international bio-pharmaceutical manufacturer.

them: "But that is the kind of problem! would like to have."

Mr John Huckle, Celltech's finance director, said that the company was going for a private placing rather than a public share offer because it believed it would find it easier to appeal to the nublic when its bio-pharmaceutical manufacturer. it would find it easier to appeal to the public when its bio-phar-maceutical strategy was more

Mr Huckle said the company was confident from soundings among its shareholders that most of its new money would be raised in Britain.

raised in Britain.
Its biggest shareholders are
British & Commonwealth Holdings, Prudential Assurance and
Midland Montagu. Barings is
handling the placing, which it
hopes to complete by the end of
the wear.

the year. Celltech also announced new production contract, said to be worth several million pounds, from a Johnson and Johnson subsidiary in the US, Ortho Pharmaceuticals, to make hundreds of grams of a new genetically-engineered drug called erythropoletin (EPO), a hormone which boosts red cell production and can help count-er anaemia in cases of kidney failure.
Ortho has financed construc

tion of a dedicated cell culture plant at Slough for the manufac ture of EPO over the next two years, for clinical trials and ear-ly market development:

Mr Fairtlough described the contract as an outstanding en-dersement of our skills in the manufacture of mammalian cell

Company of Designers adjusts terms for debut

The Company of Designers, sup-plier of a multi-disciplinary range of design services from architecture and engineering to retail and interior design, yes-terday announced that it would terday announced that it would go ahead with its planned debut on the Unlisted Securities Mar-het despite the continuing vola-tility in the equity markets. The company has altered the terms of its placing, however, reducing the planned price of the abares on offer from 145p to

100p and increasing the number of new shares offered to raise the same money. However, some existing shareholders

some existing snareholders have chosen not to sell shares at current prices.

Mr John Tsylor, executive chairman, said we have decided to john the hopeful and go lahead. The contrainy was seening a flotation in order to widen awareness and enhance its rep-utation, he said, and there was

mation, he said, and there was no point in turning back now. The Company of Designers was formed in January last year, bringing in new skills to the existing merger of two inde-pendent partnerships run by Mr Taylor and Mr John Warren (now deputy chairman). The ex-panded group has won numer-

frey Mansell, finance director. It is issuing 25m new shares

selling 468,469 shares to raise £3m. The placing shares represent 28 per cent of the enlarged share capital.

The Company of Designers is capitalised at £10.73m at the placing price, representing a

placing price, representing a multiple of 12.1 times estimated historic extnings for the year-ended September 30.

Pre-tax profits for the year ending September 30 are esti-mated at £1.15m (£966,000) on turnover of £5.8m (£4.8m). Estinumber of Eliam (24.5m). Esti-mated carnings per ordinary share based on the profit esti-mate and on an estimated 38 per-cent tax charge are 8.5p (7.8p). Current indebtedness, includ-ing bank borrowings, was some 2813,458 at the close of business on Sertember 20 on September 30, Based on notional dividends

of 3p for the year ended Sep-tember 30, the gross dividend yield at the placing price would amount to 4.1 per cent.

The profit estimate for the latest year includes a pre-acquisi-tion trading loss of about £50,000 incurred by Burnet Tait, the London-based architectural

the London-based architectural company acquired in June. Burnet Tait is still losing money but hopes to be in profit by the year-end, the company said.

The company's banker is Samuel Montagn, and broker to the issue is Laurence Prost. The placing closes on Friday, with dealings commencing on Nowember 3.

Microfilm ahead at £3m

sucremm Reprographics, mi-crofilming buresu which moved up to a listing in December 1936, increased its pre-tax profit by two-thirds from £1.82m to £3.01m in the year to June 30.

ing 3p (adjusted 2p) and there is a one-for-three scrip issue. The board said the level of business two-thirds from £1.82m to board said the level of business £2.01m in the year to June \$0.

Turnover last year rose from profits for the first two months \$2.75m to £11.47m. Tax took £1.1m (£631,000) leaving earning ahead of the comparable period for last year.

DIVIDENDS ANNOUNCED

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue, t'On capital increased by rights and/or acquisition issues, fUSM stock, fUnquoted stock. Third market.

Al-Dahlawi stake in Tranwood

takes in mini-merchant bank illucorp Earl, yesterday announced a second overseas in both instances, said Mr link-up - this time with a Jed-dah-based trading property and financial services group.

The Al-Dahlawi Company is the merchant banking front and provide business for its Ariel Tranwood and its chairman, Shaikh Amin Dahlawi, is to join the Tranwood board. the Tranwood board.

the Tranwood board.
Yesterday, Mr Peter Earl joint deputy chairman of Tranwood and the founding force behind Hincorp Earl - described
the transaction as a "a carbon
copy" of last August's deal with
Geneva-quoted SASEA, a former agricultural holding company which has been built into
a financial acretices group ever-

Transport, the financial services and hoisery group which SASEA purchased a 6.1 per cent takes in mini-merchant bank stake and also took up a board-

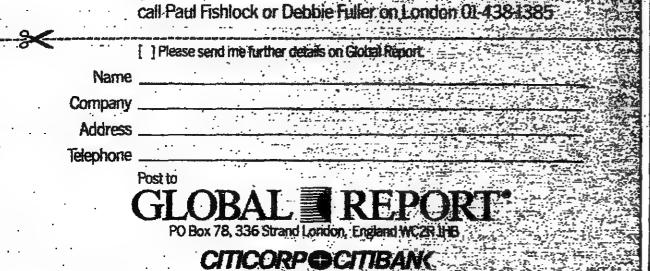
Ifincorp Earl already has contacts with the Al-Dahlawi Company, in two of its previous de-

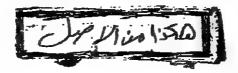
merger bids for communications group, Extel, and for building company, Lon-don and Northern - the Saudis acted as underwriters. According to Mr Earl, the company dates back to the 1800s, when its fortunes were founded on spice

Shalkh Amin Al-Dahlawi's most public profile in the UK recently has been as a partner in the St James Club business alongside Mr Peter de Savary sold to Norfolk Capital last Au-

The Saudi interest in Tran-wood - 4.8m shares - has been purchased principally from Mr Earl and Mr Nick Oppenheim, Tranwood's former chairman and now the other joint deputy chairman. Private companies owned by the two directors have agreed to sell Al-Dahlawi 2m shares apiece at 42p. Just two weeks ago, Mr Oppenheim bought 250,000 shares at 58.5p and and Mr Earl 50,000 at a similar price. ilar price.

Yesterday, Tranwood shares rose 9½p to 53½p.





markets in Europe.
On this score, Mr Fitzgerald believes that Northern should

be able to win through with the help of the contacts STC al-

ready has at British Telecom.

and its own low costs - a product of the homogeneous American

market. "I believe we are the world's low-cost producer." he

ownership of ICL. This is inevi-tably a contentious question in the UK because of ICL's posi-tion as the country's leading in-

digenous computer manufactur-er. Its independence from

foreign domination could easily become a political issue, while

its relations with Fujitsu com-plicates transactions with other

Already the ICL situation has caused one problem: Northern will be forced to divest the 3.8

per cent of STC bought in the open market. This is principally

because Fujitsu has objected to the Canadian group holding more than a 25 per cent stake, at which point it can block special resolutions from other share-

holders.

For the time being this is not

a major problem. But in present

market conditions, it means that Northern may have to sell

the shares for substantially less

And it draws attention to possi-ble conflicts in future: indeed, some analysts are already ask-ing whether, ultimately, North-

ern and Fujitsu can co-exist to-

companies.

subsantially over independent assessments of the company's is widely agreed to be excellent underlying worth of around 330p.

ern, on the other hand, has what is widely agreed to be excellent switching technology, but is faced with exceptionally tough

330p. To force the issue, Northern

went into the market and bought 3.8 per cent of STC's shares - about 21m - at between 280p and 290p. It was a delicate operation because Northern wanted to give ITT a joit to conclude the deal without going

over the 5 per cent level, which would have meant that it would

have had to declare its holding. But the manoeuvre worked, ITT

finally sold at 340p a share, giv-ing Northern a total average cost for its stake of 333p. "We thought we had been pretty smart," says Mr Fitzgerald, with a chuckle.

Even today, with the STC share price down to 228p in the general stock market debacie, Mr Fitzgerald believes that Northern has done a good deal.

Northern has done a good deal. I don't see any reason why the agreement should be seen in a different way today than it was when we did it," he says.

Financially, the immediate impact of the deal on Northern is likely to be minimal: the group's share in STC's profits will offset the cost of the purchase in terms of reduced income on Northern's cash and in.

case in terms of reduced in-come on Northern's cash and in-creased borrowings. In the longer term, however, there are two sizeable questions banging over the transaction.

First, the industrial logic of the link-up depends on the abil-

ity of the two companies to use each other's distribution net-works. STC has a large portfolio

of transmission equipment, but this will need adaptation for the

MR EDMUND FITZGERALD, chairman of Northern Telecom of Canada, is the architect of

one of the most aggressive inter-national strategies among the world's large telecommunica-tions companies.

with the group's revenues un-derpinned by the strong cash flow from its US activities - the result of an earlier phase of ex-pansion - he has embarked on a long-term growth plan to posi-tion Northern in Europe and Ja-

pan as well. In Japan, the com-pany has already made a

critical breakthrough, and can look forward to several years of

steady sales of its digital tele-phone exchange. More recently, he has finally established a bridgehead in Europe, acquir-

ing a 28 per cent stake in STC of the UK after a long, relentless

campaign.

The roots of the STC deal go back about nine months. At that time, STC became aware that the 24 per cent of the company held by ITT, the US conglomerate which had originally dominated the affairs of the UK company, might be up for sale. ITT had already sold the majority stake in most of its European telecommunications activities to Alcatel of France. It had kept back the STC shareholding, but was evidently determined to

was evidently determined to sell it at some point.

STC directors were naturally worried that the FIT stake might fall into hostile hands,

Really **Useful lifts** profits 33% to £5.75m

By Flona Thompson

ANDREW LLOYD WEBBER'S ANDREW LLOYD WEBBER'S Really Useful Group yesterday announced full year profits up 33 per cent and plans to widen the creative base of the compa-ny by signing up another art-ist.

For the year to June 38, 1987, For the year to June 38, 1887, pre-tax profits rose to £3.75m, compared with £4.32m, on turnover of £21.71m against £15.63m. Successful touring productions of Cats in the US contributed to the profits increase, as did a substantially increased input from the Palace Theatre.

increased input from the Palace Theatre.

The 15 productions worldwide of Cais produced 70 percent of profits. In the UK The Phantom of the Opera has been a big box office success and the Landon production is expected to recover its £2m costs next month. Broadway's Phantom, to open in January 1988, has already taken \$7m in advance

to open in January 1888, has already taken \$7m in advance bookings and the expectation is that this could reach \$30m.

Three other major productions scheduled for the current financial year are a Tokyo two-month presentation of Starlight Express in a 10,000-seat arena next menth, a Tokyo Phantom in April next year Phantom in April next year and a Hamburg production of Starlight Express next May. Mr Michael Sydney-Smith, finance director, said yesterfinance director, said yester-day that the company would like to expand its creative base so as not to be so totally depen-dent on Andrew Lloyd-Web-ber's output, and talks were now taking place with possible artists. Mr Lloyd Webber's next production, thought to be a musical about the Blooms-bury set, is expected in early 1989.

Revalties payable totalled

Rels

1, ...

Boyalties payable totalled £12.27m for the year, against £9.43m. Of the £7.11m (£5.68m) net income, theatre produc-tions contributed £5.49m (\$4.38m), theatre management, that is The Palace, £926,000 (£258,000), and other activities the publishing, recording and video interests - £884,000 (£52,000).

Earnings per share rese from 24.5p to 31.5p. A final div-idend of 9.15p is proposed mak-ing 12.25p for the year. A 1-for-1 scrip issue was an-

The shares closed un-changed at 505p.

House Property profits ahead

House Property Company of London reported interim pro-tax profits up from £13,800 to £98,800. Earnings per 56p share far the six months to the end of June 1987 came out at £2p, against L2p and the inter-im divideed is nucleaned at

Sp.
Directors said they were pursuing a number of negotia-tions which could expand the scope and scale of the compa-

The result was achieved on not rental income, prafit on property dealing and interest receivable of £145,000

Matthew Brown board calls for MMC inquiry

won control, continued to rum-ble yesterday in bitter exchanges between the two brew-

ing groups.

Matthew Brown directors urged the Secretary of State for Trade and Industry to refer the State for State for Trade and Industry to refer the no justification for another

THE CONTESTED floor take and quite peculiar by Mr Alick over battle for Matthew Brown, Rankin, S&N chief executive, concluded on Monday when said that the Blackburn-based brewer was now a subsidiary of his company. We can understand the emotion and the shock of finding that their com-

S&N bid to the Monopolies and Mergers Commission. They also wake of an 1985 inquiry which said: The takeover is purely a cleared it to bid for Matthew result of external influences which were not related to the bid and may lead to many job the Government in theory could trill arriver SAN to maintain Mat. losses in an area where the peo-ple concerned are unlikely to find other employment."

The directors' statement was attacked as "quite misleading divestment."

The directors' statement was attacked as "quite misleading divestment.

S&N could not, however, with draw its existing offer. On Monday, after acceptances raised S&N's interest to more than 56 per cent, the Edinburgh-based group waived all conditions on its bid so that it could immediately acceptance of the could immediately after the could be considered after the could b ately close the 750p cash alternative, the attraction of which had been enhanced by the collapse in world share prices. Holders of fewer than 460,000 Matthew Brown shares had ac-

cepted the share offer by Mon-day. The cash was accepted on behalf of more than 6.04m shares. With S&N shares 11p lower yesterday at 192p, the three-for-one offer values Matthew Brown at 576p, against a market price of 600p after a fall of 63p.

Elders in Greene King raid

SHARES in Greene King, the Suffolk brewer, rose 28p to 458p yesterday as Elders IXL, the Australian-based brewing, financial services and pastoral group, staged a share raid to try to raise its stake to nearly 15 per cent

Mr Simon Redman, Greene
Mr Simon Redman, Greene
King managing director, said: "I
am told that they went out there
offering to pay as much as 448p
a share, indicating that they
would be willing to take that share up to 14.9 per cent."

Mr Andrew Cummins, Elders' group director for strategy, con-firmed that stockbrokers Hoare Govett had picked up sufficient shares to raise Elders' holding above the 5 per cent disclosure level. Greene King last week re-voaled that Elders had unassed about 48 per cent through a number of nominee accounts. Elders, whose brewing inter-ests include Fosters lager and Courage, was continuing to seek trading links with Greene King, Mr Cummins said. The Suffelk

group had rebuffed his previous requests for discussions.

It's only when you have a few shares under your belt that a company actually will talk to you," Mr Cummins said. Courage and Greene King had

complementary interests be-cause the former had few public houses in East Anglia. Mr Cum-mins believed that Courage could strengthen Greene King's

John Haggas in £5m wool retail expansion

Geveke distributes computer and industrial electronic equipment throughout Europe, par-ticularly in the Netherlands, Belgium, France and Spain.

about £5m.
It is paying an initial £4m for Midland-based Newarke, which last year made pre-tax profits of £336,000 on sales of £5.7m, almost all of which were of hand knitting wools.
Haggas is paying £1.8m in cash and issuing 1.3m shares for the purchase. It will also pay up

Sound Diffusion not opposed to bid

Sound Diffusion, the troubled electrical equipment group, was last night considering a request for detailed information about its affairs from Tunstall Group, the security equipment group with which it is in merger talks.

talks.
In its first statement since
Tunstall expressed an interest
in an agreed merger earlier this
month, Sound Diffusion said it
was 'not opposed' to offers being made for its shares.
The board was carefully considering Tunstall's request
"having regard to the extent to
which the release of information could prejudice the company's competitive position in its

ny's competitive position in its product markets." Earlier this month Sound Dif-

fusion reported pre-tax profit-sof £5.67m, more than £4m lower than audited figures released in June. Throgmorton Trust, hold-er of 8.5 per cent of the Brigh-ton-based group, called on Mr Paul Stonor, Sound Diffusion's hairman, to resign.
Tunstall, which has nearly t

per cent of the company's shares, wants the information from Sound Diffusion before evaluating an appropriate level at which an offer might be

Viking Resources Net asset value per 25p share of Viking Resources Trust stood at 77.8p at September 30, an im-provement of 26.8p over the stated figure a year earlier. The directors said the in-crease reflected continued sta-bility of prices.

crease reflected continued sta-bility in oil prices.
For the half year to end-Sep-tember net revenue rose from £240,000 to £321,000 after de-ducting tax of £139,000 against a previous £103,000. Earnings amounted to 0.8p (0.6p) and the interim dividend is a same-again 0.55n.

Jackson Group Taxable profits of Jackson Group, Ipswich-based construc-tion and industrial services group quoted on the market made by Granville, rose by just over 9 per cent from £480,000 to £524,000 in the six months to

end-June 1967. Turnover also showed a mar furnover also showed a marginal increase, from £17.88m to £18.1m. The interim dividend is raised to 1p compared with an adjusted 0.6p last time.

Ashtead ahead The recent hurricane should boost the business of Ashtead Group, USM-quoted plant hire group, Mr Peter Lewis, chair-man, told the annual meeting. He added that half the group's profit centres were in affected

The benefits from the Keyplant acqusition were ahead of budget and profits for the first five months were substantially higher than the previous year, he said. Gearing was down to 80 per cent against 122 per cent at

the end of the previous year.

might fall into hostile hands, and were equally concerned to conclude a deal which would fall in with their own ambitions for growth. Their first thought was for a tie-up with Fujitsu, the Japanese electronics group which supplies ICL, the STC "relatively weak lager portfolio" and might in turn stock some of the latter's brands.

John Haggas, Yorkshire-based textile group, is to buy Newarke Wools and Hermit Wool shops, both privately-owned retail companies, for about 15m. to £262,000 for shares in Ne-warke which may be issued if options are exercised during the six months following com-

Hermit, based in the north-east of England, made pre-tax profits last year of \$21,000 on sales of \$2.1m. Again nearly all the sales were of hand knitting wools. Haggas is paying for the acquisition with 492,611 shares,

NatWest Investment

valuing the company at about

NatWest Investment Bank - to-gether with certain funds under its management - yesterday an-nounced 6.08 per cent interest in Anglo and Overseas Trust, the larger of the two Morgan Grenfell-managed investment trusts. Shares in Anglo initially

Kennedy Brookes' £64m deal

recusery Brookes, leisure and restaurant group, is continuing with the rapid expansion of its hotel division, announcing yesterday the purchase, for £64m in cash and shares, of two hotels from the Barclays Hotels Group, capped by Mr. David Barclays and

Edmund Fitzgerald, chairman of Northern Telecom

subsidiary, with some of its key

subsidiary, with some of its key computer components. But Fujitsu had too much on its plate with expansion plans elsewhere.

Northern appears to have been STC's next choice and the approach gelled. Mr Fitzgerald saw a link with STC as the opportunity he had been looking for to establish his European base, albeit mainly in the UK.

base, albeit mainly in the UK. We have the products and they have the knowledge of the mar-

ket, be says.

By September, Northern was

negotiating hard with ITT in New York and beginning to have some problems over price. The US company was sticking out for something around 400p a

share for the STC stake, a pre-mium of well over £1 to the

owned by Mr David Barclay and Mr Frederick Barclay. The deal, which involves the

Londonderry Hotel in London's Park Lane and the Howard Hotel in Manhatten, will leave Barclays holding 11.5 per cent of Kennedy Brookes.

The consideration is to be satisfied by the issue to Barclays of 487m new ordinary Kennedy Brookes, calculated at 390p per share, and a 545m cash pay-

share, and a £45m cash pay-

Lysander expands and cuts losses

share price at that time, and North American market North-

Terry Dodsworth looks at Northern Telecom's 28% stake in STC

Link-up for a line to Europe

Lysander Petreleum, London-based holding company with in-terests in oil and gas explora-tion, development and produc-tion in the US, incurred losses on its ordinary activities of £78,806 in the year to March 31 1987. This compares with losses of £264,283 in the previous year. The loss was transferred to re-serves. Crossroads Oil Company, Consideration will be satis-Consideration will be satisfied by the issue, credited as fully paid, of 12,543,821 new ordinary of Lysander, of which 8,780,575 will be issued to the vendors at completion and 3,763,146 thereafter if the pretax profits of Crossroads for the 13 months to Morah 21,1088 are 12 months to March 31 1988 are at least \$750,000 (the profit fig-The group also announced that it had entered into a conditional contract to acquire the

ure warranted by the vendors).
Crossroads business is the financing of oil and gas exploration and development in the US entire issued share capital of

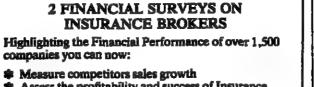
ment. Kennedy Brookes shares yesterday closed at 335p. Mr Michael Golder, Kennedy Brookes' chairman, said that the Park Lane hotel would be used as a fiagabip and promo-tion tool for the other hotels in

tion tool for the other hotels in the group.

Kennedy Brookes has bought a number of hotels this year following a filom rights issue in May. Recent purchases include the Heritage group of 11 hotels, and the Onslow Court Hotel, at Queen's Gate, Knightsbridge, which was the group's first entry into the London hotel market.

Upon completion of the deal. about 80 per cent of Kennedy Brookes assets will be in the ho

The 107-room Londonderry
Hotel is held on a 103-year
lease, and planning permission
has been obtained for a further 43 bedrooms, and two two-bedroom apariments, which are es-timated to cost CL5m to build.



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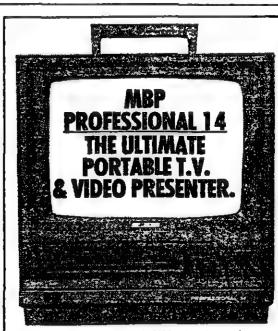
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Dutch electronics group buys 10.3% of Zygal

Zygal Dynamics, USM-quoted computer products company, announced yesterday that Geveke Electronics, a Dutch company with similar interests, had bought 10.3 per cent of its

shares.

Mr Con Driscoll, chairman, said Geveke had made the move at Zygal's request. The two companies planned a close relationship and would probably start distributing each other's products and

nets soon.

Zygal is free of fears of an unwanted takeover being don-based investment, the London-based investment trust, rose sharply from Man to 344p in the 12 months to September 30 1967. launched as directors own more than 60 per cent of the equity.

Geveke was able to acquire its stake following Zygal's purchase earlier this month of Coulson Heron, a computer previous year. After tax of equipment supplier. The £7m £769.00 (£988,000), earnings per Coulson acquisition was financed by an iasue of shares, (7.02p). A final dividend of 4.5p lifts the year's net total distribution to 6.5p (6.25p).

Last year it made pre-tax profits of 25.8m on sales of 256m. Turnover this year is ex-pected to exceed £85m. Majedie assets un

Charterhall, the investment vehicle of Australian entrepeneur Mr Russell Goward, yesterday disclosed increased shareholdings in two UK companies.

It has lifted its holding in A-Goldberg & Sons, Glasgow-based department store group, from 1.54m to 1.76m shares, rep-

BY MIKE SMITH

Charterhall stakes raised

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London EC4M 9EL

28 October 1987

COPPER PRICES rallied on the London Metal Exchange

yesterday on early signs that stock markets might be re-gaining some stability. Dur-

ing the morning there was general covering and options related buying but in the afternoon the resulting gains were trimmed back as sterl-

were trimmed back as sterling railied against the dollar. Analysts were beginning two talk of strong fundamentals being reasserted although they warned that there appeared to be a hand of resistance a little above current levels. Aluminium, which, like copper, has been severely influenced by the stock market crisks, also made gains in the morning. But prices fell away quickly in the afternoon in the face of scattered liquidation, prompted, dealers said, by the

of scattered liquidation, prompted, dealers said. by the upturn in sterling. By the close the morning gains had been virtually wiped out. A similar, though less marked, pattern was seen in the cocoa market, and dealers quoted the same background factors as for the metals. Interest was still suppressed, they said, by the lack of speculative activity as attention remained focused on the equity and money markets.

and money markets.

LME prices supplied by
Amalgamated Metal Trading.

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1860-80 +10 1750-65 -7.5 1786/1780

closing (em): Cash 1910-30 , there mosths 1760-3 settlement 1930 (1850). & close: 1756-85. Ring turn-

1095-100 -0.5 --1025-7 -1.5 1047/1028

Official closing (am): Cash 1129-30) (1075-80), three months 1043-6 (1020-5), settlement 1130 (1080). Final Kerb close: 1028-4. Ring tumovari

Unofficial +or close — s per tonne

Official closing (nm): Cash 1208-16 (1202-7), three months 1113-5 (1097-9), astriament 1210 (1207). Final Kerb close: 1104-5.

Official closing (am): Cash 1185.75 (1180-5), three months 1100-10 (1090-5), settlement 1175 (1185). US Froducer prices 83 5/82 cents per lb. Total ring

1192-4 +16.5.1210:1194 1190-01 +16 |1115:1099

High/I-

\$ per tome

£ per

COPPER

ALUMINIUM

Why Halloween witches must pay more for pumpkins LONDON MARKETS

BY DEBORAH HARGREAVES IN CHICAGO

FOR THE last couple of weeks, roadside stalls in the US Midwest have been groaning under rows of fat pumpkins as farmers rush to cash in on the Halloween market. But this year's harvest has been so poor, farmers fear that there will be a shortage of pumpkins to supply the strong demand from a public. eager to carve the ultimate Halloween lantern or bake sickly pumpkin pies.

The hot summer weather, which was followed by rainstorms has left a large part of the pumpkin erop rotting in abandoned fields. The shortage has also pushed prices up by several cents a

The poor weather has hit many new pumpkin growers, who have started to plant "consumer" products like pumpkins in recent years, to offset losses in unstable maroliset losses in unstable mar-kets for some of the more traditional Midwest crops. "There is a high margin on pumpkins if you have a good

tin futures

was offered.

tion collapsed.

after the International Tin Council's market support opera-

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in

brackets).
ANTIMONY: European free

market 99.6 per cent, \$ per tonne, in warehouse, 2,270-2,320 (2,380-3,310).

BISMUTH: European free market, min 99.99 per cent 8 per lb. tonne lots in warehouse

CADMIUM: European free

market, min 99.95 per cent, \$

per lb. in warehause, ingots 2.90-3.05 (2.70-2.95), sticks 2.90-3.05

(2.70-2.95). COBALT: Europan free mar-

ket, 99.5 per cent, \$ per lb, in warehouse 6.45-6.70 (6.50-6.70).

market, min 99.5 per cent, \$ per lb in warehouse, 6.45-6.65 (6.35-

TUNGSTEN ORE: European

4.65-4.80 (4.65-4.75).

erop," comments Ms Daryl Srail, who runs wagon rides for school groups to pick their own pumpkins at her farm near Geneva, Illinois.

Ms Srail has had a good erop this year, because she planted on a hill so that the rain would run off, but says her prices have gone up to 26 cents a lb from last year's 20 cents a 10 from last years 18 cents. A lot of farms will not be open for people to pick their own pumpkins, says an official from the American Farm Bureau, who warns that the biggest pump-kins are not necessarily the best as they may be rotten in-

Ms Srail plants 25 to 30 acres with pumpkins each year, but says, in spite of the high margins, she would not grow them unless she had been doing so for the last 20 years. "Pumpkins are an incredible amount of work and it costs thousands of dollars to look after them," she explains. For the last couple of days, she has been having

to cover her pumpkins at night to avoid freezing temperatures.

Nevertheless with a good sized specimen selling for \$10, farmers can make a let of profit during the short pumpkin season. The market is virtually over at the end

is virtually over at the end of October with very few of the fresh vegetables sold after October 31, except at lower prices for processing. Most farmers will be watching the market very earefully this week, moving their vegetables to different locations in order ta sell they by Hallowe'en.

Some will send them to burgeoning city "farmers markets," which have sprung up in major cities in recent years as high-margin outlets for bard-pressed farmers. These farmers will also grow other types of squash vegetables and ornamental corn coke, which are very popular at this time of year, the American Farm Bureau official says. official says. Meanwhile, the pumpkin shortage is not likely to



cause much of a rush by the brigade of Bailowe'en witches on their "trick or treat" missions. "There was an overamply in previous years," the Farm Burean notes, "this should correct the balance."

Slow start for **EC** Commission rejects call Kuala Lumpur to destroy surplus food stocks By Wong Sulong in Kusia Lumpur

BY QUENTIN PEEL IN BRUSSELS

TIN FUTURES trading began on the Kuala Lumpur commodities exchange vesterday on THE EUROPEAN Commission uses of crops, or industrial a cautious note, following the crisis on the world's stock yesterday dismissed as un-realistic a call by the European markets.
A total of 145 lots of one Parliament for surplus food stocks to be destroyed rather than stored indefinitely. tonne each were transacted dur-

ing the two trading sessions, with prices for November de-livery opening at USS 683 and closing at \$684. No foreign tin The radical suggestion in a comprehensive report into the problem of excess food stocks was based on the argument was offered.

The KLCE tin futures market is the only one of its kind. Tin trading on the London metal exchange was halted in late 1985 that food stocks more than two years old may be virtually valueleur

The Commission also warned against "excessive optimism"

Mr Peter Sutherland, speaking on behalf of Mr Frans Andriessen, the Agriculture Commissioner, told the European Parliament that the Com-mission was not considering the possibility of destroying food

possibility of destroying food surpluses.

"The Commission feels that much time could be wasted and false fears or hopes raised, were it to consider stock des-truction, as it believes such action would be politically un-acceptable," he said.

He also returned to endorse a

bility for the food stocks.

The report commands widespread support across the
political spectrum in the Paroverwhelmingly adopted in two

weeks time.

No MEPs spoke against the stock destruction proopsal in the debate in Strasbourg yester-

day.

The Commission called on the Parliament to backi tts conclusions with actions in its annual debate on the farm price re view, and support the Commis that major inroads into surplus

He also refused to endorse a sion in its attempts to reduce food stocks could be achieved suggestion in the report, combined by a use of new forms of expired by Mr Michael Debatisse, port subsidies, through on-farm that member states should take

Agricultural Policy.

US seeks oil embargo support

BY RICHARD JOHNS

trade with Iran announced on constitute Iran's biggest export Monday by President Ronald outlet on a long-term basis.

Reagan will have little affect In July US imports of Iranian Reagan will have little affect In July US imports of Iranian on its oil exports and economy oil soared to 6330,000b/d beunless Japan is pressurised into cause the price was particularly halting-purchases of crude from attractive. More than half of

the Islamic Republic.

The Administration is to accounted for by purchases make appeals through diplomade by Amerada Hess to feed matic channels Japan and West its Virgin Islands r efinery, European governments to fol-according to a recent estimate MERCURY: European free market, min 99,99 per cent, 8 per flask, in warehouse, 300-308 (305-310). lo wits lead, according to in- by Pe dustry executives. They said, Weekly. MOLYBDENUM: European however, that a plan to send a market, drummed molybdic senior official delegation to the oxide, \$ per lb Mo, in ware-house 2.88-2.95 (2.85-2.95). SELENIUM: European free cause Washington recognised that co-operation was unlikely to be obtained.

to be obtained.

In Tokyo yesterda yJapanese officials quoted Mr Tadashi Kurunari, the Foreign Minister, as saying that Japan would proceed cautiously and work out its own policy after hearing US ree market, standard min 65 per cent, 8 per tonne unit WO₁, cif, 42-53 (39-53).

VANADIUM: European free market min 98 per cent V₂O₄, other sources, 8 per lb V₂O₅, cif. 2 90.2 90 (same)

views.

Nine Japanese trading com-panies have term contracts with cif 2.80-2.90 (same).

URANIUM: Nuexco exchange value, \$ per lb U₁O₄, 16.65 (same).

THE US trade embargo on of in this way and collectively

Petroleum Intelligence The high level recorded prompted the vote by Congress three weeks ago to ban all imports from Iran. The actual rate

since July is believed to have fallen substantially, however. Apart from Amerada Hess.

other significant importers of Iranian crude into the US market are reckoned to be latter are used to satisfy Coastal, Marathon, Atlantic Richfield, Texaco and Sun Oll.

Traders said yesterday that Traders said yesterday that

Nine Japanese trading com
Nine Japanese trading comsuch companies would have to up to 500,000 b/d on the spot and similar varieties of crude market. Its own requirements, fran involving 265,000 barrels a elsewhere, meaning that others including product imports, day out of a total of rather would turn to Iran and take up amount to 600,000 to 700,000 more than 400,000 b/d disposed any slack in demand for its oil.

EC PRODUCTION 1996

377 815

1,277 145 53

Diplomatic entreaties by Washington are expected to receive a polite but basically unsympathetic esponrse fom West European governments.

After Japan the most important market for Iranian oil is Italy, which imported about 110,000 b/d in the first seven months of this year. There was no official comment from Rome yesterday on the US measure but Italy, like West Germany, Cash 363.4 +2.5 354,353.5 3 Months 344,6-5.6 +2.25 349.346 would be reluctant to risk its commercial links with Iran in Official closing (em): Cash 353-4 Apart from its term con-tracts,, Iran disposes of about 450,000 b/d in state-to-state barter agreements and a similar amount in so-called "processing deals" whereby it ex-Unofficial + or close (p.m.) - High/Low

Cash 3490-40 |-25 3 months 3390-400 (-) Official closing (am): Caah 3420-5 3405-15); three stouths 3365-7 (3365-8), settlement 3425 (3415). Final Kerb sloss: 3360-400. Ring termover \$84 ZINC

Official closing (sm): Cash #58-8.5 [#EL-4, three months #62-3 (#68-9), extrigement #68.5 (#645). Fingl Kerp bless: #58-60. Ring turnover: 7,250 tonnes. US Prime Western: 43-43.76 cents per lb.

LONDON WETAL EXCHANGE Nov. lum 99,7% Nov. Jan. Nov. Jan. 1,785 156 107 1 85 1,760 112 96 8 961₂ 1,800 69 74 9 1231₂

Oopper | 1,950 | 135 | 117 | 101c | 188 (Grada A) | 1,950 | 691c 941c | 21 c | 127 1,950 | 671c 751c | 591c | 188 Copper 1,075 94 6412 — 8112 (Grade A) 1,100 6612 5112 1 46 1,120 47 40 3 5612

TIN ELIALA LUMPUN THE MANUSET: Close 17.17 (17.12) ringgis per kg. Up 0.05

GOLD GOLD BULLION (fine ounce) Oct. 17 GOLD AND PLATINUM CODE

Close 3975\q.476 Opening 8473\q.474 M'n'q fix 4473.45 Aft'n'n fix 5474.00 Day's high 8475.476\q. Day's low 8471\q.478\q. (22881,-29114) (236-289) (236-289) (22791g-26114) (21441g-150) (276-751g) (28641g-28714) (286-664g) (266-664g) (268-664g) (268-664g) (268-664g) (268-664g) Am Engle.\$459 494 Mapleles (\$455 490 Mapleter[3485-490; (£365-491); Rrigirad_8474-47; (£2791-28114; Rrug...5280-851; (£1441-1850); Angel....5482467; [£884 ta 3874; £2891-2324; (£66-654); Rrigania_F489494; [£864-654]; (£66-654); Righter Platt.8580-590; (£342-3474)

SILVER

US MARKETS

INDICES

REUTERS

DOW JONES

Oct. 26 Oct. 25 Mith ago Year ago

1660.0 1679.7 - - - (6ase Decamber 31 1531-100)

Jones 26 23 ago ago

Spot 126.67 126.63 — 191.64 Fut 127.67 129.55 — 191.57

(Base December 31 1931-100)

MAIN PRICE CHANGES

§ Unquesed. † Per 75-lb flask. c Cents pound. * Cotton outlook. w Oct-Nov. Nov. z Dec. s Nov-Dec. w.lsn-Fab.

Coconut (Phil) 3475t Paim Malayan \$350y

LME—Turnover: 0 (0)

Oct. 27 + or Month 1987 - ago

some markets made modest some markets made modest recoveries as speculative liquidation pressure eased, reports Drexel Burnham Lambert. Gold, on the other hand, continued weak as speculators liquidated short positions, though there were indications of good under-lying buying interest by the trade and commission houses. Sliver fell in tarly trading to test the lows, but recovered to the highs on short-covering before trade selling at the highs caused prices to back off. Copper rallied in thin volume in what was described as a reaction to the downside action of the past few days. Crude oil featured spread activity as the trade tended to buy near contracts against forward contracts, activity which firmed the market overall. In common market byerail in common with other markets, cotton rallied back as the stock market firmed, good trade buying held the market after local selling emerged. Commission house selling eased sugar but the decline was sugar but the decline was held by trade buying. Cocoa was lower on speculative selling despite trade and arbitrage buying. Live entile futures were lower as a new wave of liquidation hit the market, while pork belies were marginally easier, and hogs were firm reflecting sentiment that eash prices had declined enough. The Sariey Fut, Jan.£105.50 +0.85£104.20
Maize
Wheat Fut, Jan.£110.50 -0.45£107.95
No.2 Hard Wint. 2
OTHERS sentiment that case prices had declined enough. The grains were mostly better. Soyameal and beans were steady on stronger European prices, the opposite was the case in soyoli. Corn made a medical process that we would be the case of the case in soyoli. modest revovery, but wheat firmed on reports of an allocation of im tons of export business to Iraq.

NEW YORK ALUMINIUM 40,000 lbs; cents/lbs 12-month 786.10c, downeral opened at 436-439-2 and closed at 436-2-436 82.00 21.00 78.75 COCOA 10 tonnes; 3/tonnes Another quiet day for robusts with most activity logued on the nearby differentials reports Drawel Surnham Lambert. The currency factor which dictated levels yesterday was absent today as deliar/pound remembed relational study and the property officers would account acc COPPEE "C" 37,500 lbs; cents/lbs Close Prev Mah.
122.18 122.30 122.80 125.50 126.50 126.50 126.50 126.50 126.50 126.50 126.50 126.55 122.35 122.45 122.75 120.00 130.56 131.32 131.25 132.00 130.56 130.56 COPPER 25,000 lbs; cents/fby Close Pro-F1.50 79.35 81.30 79.35 89.36 78.35 79.50 78.35 78.46 78.35 78.46 78.35 78.36 74.35 78.35 74.35 78.35 74.35 Nigh Law 81.50 \$1.50 Ciosa Prov Nici
Oct F1.50 77.85 61.87
Nor 81.30 78.85 81.25
Jan 79.30 78.35 81.25
Jan 79.30 78.35 81.25
Juli 78.35 76.35
Sap 75.40 74.85 76.36
Juli 78.35 74.35
Sap 75.40 74.35 78.30
Jan 75.35 74.35 78.00
Jan 75.35 74.35 78.00
Jan 75.35 74.35 78.00
COTTON 50.000 lies, centa/75
COTTON 50.000 lies, centa/75 1294-1291 - 13.0 1308-1286 1528-1529 - 10.0 1585-1528 1545-1480 - 12.0 1555-1544 1570-175 - 11.0 1557-1579 1594-1594 - 7.5 1395-1395 1415-1415 - 3.5 1411-1400 1410-1489 - 10.0 75.00 74.75 Sales: 3,524 (1.851) lots of 8 tonnes. ICO Indicator prices (US cents per pound) for October 25 Comp. doily 1379 112.40 (111.62); 15-day everage 111.93 (111.82). High Low 54.20 \$3.16 Deg 98.25 \$4.40 Jan 88.05 \$8.25 Mer 94.00 \$1.60 Aug \$1.60 \$1.00 Aug \$0.00 US gellons Dec Attracting paly limited interest yes-terday's futures were locked in a £5 range and closed at the lows, reports Gill and Duffue. CRUDE OIL (LIGHT) 42,000 US gallona \$/barrels 29,06 15.80 16.78 19.65 18.53 18.42 16.20 18.30 19.30

Seles: 2,552 (--) lots of 10 tonnes. iCCO indicator prices (SDRs pertonne). Delly price for October 26 1470.02 (1480.08): 10-day average for October 27 1467.74 (1469.53). Oot Nov Dec Peb Aprill June Aug Sept Oot Dec Feb May June Aug

FREIGHT FUTURES Early gains caused by technical buying following yearserdey's decline were pared during the afternoon. The SPI and the physical merket remained static leading to an unchanged hurures market from the previous close, reports Clarkson Wolff.

Close | High/Low / Prev. thy Cargo

Turnover: 1,587 (1,552).

GRAINS Old crop wheat found panks selling in spot position reaching 85 down in early trading but forward positions never dipped under unchanged levels and the afternoon structed epeculative trade buying. Old crop barray elso firmed on keen shipper demand but again assed of consumer selling towards close, reports T. G. Roddick.

BARLEY ciose - ciosa -Nov.... 104.25 1 - 101.50 1 - 24.00 1 - 25.40

112.50-113.00 buyer/xellers. Rest unquored.

Business done—Wheat: Nov 197.70-7.00. Jan 110.50-0.05. March 112.50-2.05. May 114.80-4.60. July 117.05-6.5, Sept untraded. Rev untraded. Sales: 200 lets of 100 tonnes. Barley: Nov 104.10-3.56. Jan 108.50-6.25. March 102.75-8.50, May 110.75-08.76, Sept untraded. Nov untraded. Bales 62 lots of 100 tonnes.

HGCA—Locations as-farm spot prices: Feed Barley: S. East 104.60; S. West 102.00. On November 1, the UK monetary coefficient will be actualled on the basin of exchange rates for calculation estimal November 14-20.

Mar...... 212,9-215.0 214,0-218.0

PARIS—Whites (FFr per tonna): Dec 133/133; Mer 1176/180: May 1201/1210; Aug 1238/1244; Oct 1254/1256: Dec 1255/1286.
Sales: No 6 2331 (2684) tots of 50 tonnes; No 5 1675 (2286).

Tata and Lyle delivery price for granulated basis augar was 2218.80 (2217 50) a tonne for export.
International Sugar Agreement (US cents per pound tob and stowed Caribbean ports). Prices for October 28.
Daily price 7.02 (7.05); 15-dey average 8.84 (8.59).

IN LISTLESS TRADING,

MEATING OIL 42,000 US gailons,

LIVE HOGS 30 000 lbs; Conts. MATZE 5,000 be min, cents/56 lb-bushe PORK BELLIES 38.000 lbs. cents/fb Close Prev High 56 30 86 25 57.22 56.33 56.75 56.70 87.17 16 20 57.40 56.90 55.75 57.70

SOYABEANS 5,000 bu min 79.70

SOYABEAN OIL 60,000 th: cents/lbs Prev 17.51 17.88 17.96 18.05 18.25 18.30 18.27 18.30

POTATOES

Market extremely norvous, opening £1.20 up basis April posit in, and quickly trading another £1.00 up before

quickly trading another £100 up before any serious selling resistance was felt around £160 00 mark. With advantage some £10-12, up on early Monday, prolit-taking was insertable. The plus rumours of an improved weather forecast brought values down snapply the afternoon to close with £150 of lows, reports Coley and Marper.

Month close close done

539.3 547.1

GOLD 100 tray az 8/tray az

Latest CRUDE OIL-FOB (5 per barrel) Dec. W.T.L (7pm edt)...... Forcedos (Nigeria) Urais (cif NWE)......

539.2 546.5

907.5 520.6 524.5

537.0 548.0

PRODUCTS—North West Europe Prompt delivery cif (6 per tonne) SUGAR LONDON DAILY PRICE—Baw augus \$188.90 (£111.0), down \$1.20 (down \$0.80) a tonne for November/December delivery. White sugar \$190.00, down \$1.50.

Yesterd's Previous Business done

Nov....... 87.00 89.00 92.00-87.00 Feb...... 1002.00 100,00 104.00 March... 92.00 92.50 92.00 Apr...... 156.00 154.60 160.90 154.50 May...... 168.80 167.00 172.20-158.00 Nov...... 75.00 75.00 Sales: 1,633 (1,147) tota of 40 tonnes.

SOYABEAN MEAL close + or Business

Sales: 211 (23) lots of 20 tonnes.

GAS OIL FUTURES Yesterd'ys + or Euginess c:cse - done USS

VSS ier tonne. 167,50 |+-0.50 if7.53 i68,05 168,50 |--0.50 if8.50 if7.00 169,25 |--0.25 i83,26 i68,00 168,25 |--0.25 i83,26 i68,00 168,25 |--0.25 i88,26 i68,00

Turnover: 2.888 (3,752) tota of 100

The EC's low cost farm sectors regime: the very short production cycles mean that open-ended guarantees could rapidly lead to surpluses. (Pigs can reproduce some 20 times a year

Brussels or one of the national capitals of the European Community member states and he might tell you that, just occasionally, the common agricul-tural policy can boast a success story—at least from the tax-payers' and the consumers' viewpoint. The pigs and poultry sectors are cases in point. Be-tween them they account for some 20 per cent of the EC's total farm production, yet their cost to the taxpayer is minimal. The figures are instructive.

The inelegantly-named pigmest, and poultry meat sectors be-tween them make up 65 per cent of all meat consumed in the EC. The remainder is ac-counted for by beef (32 per cent) and sheepmeat (3 per cent). Yet in 1986, while support costs for beef totalled Ecu 3.5 bn (£2.4bn) and sheepmeat's Ecu 600m, only Ecu 152m was spent on pigmeat and about Ecu 70m on poultry.

Put another way, every tonne of pigmeat and poultry cost the while to support a tonne of beef

to speak of, while prices to the consumer have remained steady or actually fallen.

The secret of the success of the pigmeat and poultry regime is, of course, that it offers very much less protection to the producer than do those covering the price of the producer than do those covering the producer than do those cov

As European Community Farm ministers battle to reach agreement on curbing the spiralling costs of their pro-

tectionist policies for cereals. milk and a host of other products, BRIDGET BLOOM looks at one "model" sector which will not figure in their discussions at all, because it costs the EC virtually nothing to operate.

commodities like cereals or to officials in Brussels, whose There are no open-ended in the marketplace. For price guarantees, nor sny buy- example, only some 120,000 ment intervention stores. The production of just under 11m main protection is offered tonnes had been stored when through variable import levies, fixed to take account cost around £350 and sheep fixed to take account of the reat some £600. high costs of feed inside the Further, since supply has not EC, compared with world feed runner, since supply has not EC, compared with world feed run ahead of the growth in conprices, (Currently, for example, sumption, there are no surpluses there is a 45 per cent levy on poultry have such a "light" Denuare.

main aim is to maintain balance July. Officials say the stores will be empty by Christmas.

was drawn up) perfectly possible. This also meant that neither pig nor poultry farmers had the political clour of their dairy or cereal grower colleagues to win them a highly protected regime either when the CAP was being conceived, or subsequently. It would be as idle to suggest that producers of pigs or poultry will get increased protection as it would to pretend that the sector can for the reform of other, much more costly regimes. But under the stimulus of a relatively free market, the sector has become more efficient, particularly in northern Europe, where the industries are increasingly integrated, either through larger

and chickens 200 to 300 times while cows and ewes generally

produce only one or two off-

The EC's founding fathers recognied this, as well as the

fact that neither occupation is actually "soil-based": backyard

production, even in semi-urban areas, is (or was, when the CAP

spring a year).

"Are the Danish people pre worth Dkr 18bn to Dkr 20bn (£1.55bn to £1.74bn). This can be the result, and it is our duty to emphasise how serious In relation to pig farming, the situation is," said Mr

> The current economics of pig production are satisfactory, he said, a situation brought about by a decline in the price of foodstuffs especially maize.
>
> Silver was fixed 10.5c lower for upor delivery on the Landon builton market years with the fixing lower was equivalent of the fixing lower was experienced to the fixing lower was fixed to fixed builton market years and the fixing lower was fixed to fixed builton market years and the fixing lower was fixed 10.5c lower for upor delivery on the Landon builton market years and the fixed to the fixed to

Animal rights plan worries Danish pig producers

BY HILARY BARNES IN COPENHAGEN

A PROPOSED new deal for line with the rest of the EC we the committee will work refers animals is seen by Danish pig can say goodbye to 80 per cent to "strengthening the position pared to write off an export

restrictions which are not in The directive under which teeth.

producers as a serious threat to of our pigmeat exports."

their livelihoods, and to declared Mr Erik Skovgaard

Denmark's biggest single export

The farmers are alarmed by Producers at a meeting of pig

The producers as a serious threat to of our pigmeat exports."

A declared Mr Erik Skovgaard

Kristensen, chairman of the National Committee of Pig

Producers at a meeting of pig

In relation to pig farming.

the present prevention to production until the terms on requirements and a ban on the cruelty to animals legislation. which production is permitted tying of sows, early weening and the clipping of talls and

the establishment of a farmers yesterday. the directive specifically men-committee by the Minister of "We must advise farmers tions the introduction of Justice to consider reforms of against further investments in compulsory minimum space

Kristensen.

CURRENCIES, MONEY & CAPITAL MARKETS

plus rose to DM 6.5bn from a revised DM 2.4bn. Imports rose 16 per cent on the month to DM 34.29bn, bt exjorts rose 27 per cent

There was no reaction to the

Bundesbank's opposition to a further strong revaluation of the

JAPANESE YEN—Trading range against the dellar in 1987 is

FOREIGN EXCHANGES

Dollar at 7-year D-Mark low

which also showed a larger trade surplus.

The West German and Japanese trade surpluses narrowed in August, without having much impact on the very large US deficit, and it must therefore be feared that the September US trade deficit, to be announced next month, will fail to show any sign of an improvement in the imbalance in world trade.

At the same time the market doubts President Reagan's willingness to make a significant cut in the Federal Budget deficit by increasing taxation.

The dollar fell to a low of DML7600, and closed at DML7635, compared with DML7755 on Monday, the lowest closing level since July 1980.

The US currency also declined to FFr5.9075 from FFr5.9475 and to SFr1.4540 from SFr1.4625, as the strong D-Mark tended to pull members of the European Monetary System and countries within the West German economic block

higher.
The doilar also lost ground to the Japanese yen, but remained above this year's low, falling to Y141.60 from Y142.20. Y141.60 from Y142.20.
On Bank of England figures the dollar's exchange rate index was unchanged at 99.6.
STERLING—Trading range against the dollar in 1987 is 1.6960 to 1.4718. September average 1.6456. Exchange rate index was unchanged at 74.1, compared with 72.9 six months aga.

& IN NEW YORK

Oct. 27	Labora	Previous Close
f. Spot	1.6560-1.6570 0.35-0.33pm 0.81-0.77pm 2.70-2.60pm	1.6845-1.6855 0.33-0.31pm 0.65-0.60pm 2.00-1.85pm
Porward pres U.S. dollar.	siums and distor	unis apply to the
STERLIN	g index	

_			Oct., 27	Previous
8.50	20	DOD FAT	74.0	73.8
9.00	4570	Parker 1	74.0	73.9
10.00	200	*****	74.9	73.9
11.00	201	DOI: DOI:	74.0	74.0
Noon	MM III	***********	74.0	74.1
1.00	2.01		74.0	74.1
2.00	part .	-	74.1	74.0
3.00	900		74.1	74.0
4,00	pen	H44111	74,3.	74.1

Garring Garring Unit 1.2456 1.5410

* C3 SDR rates for Ool. 26; 1.72296								
CURRENCY MOVEMENTS								
Oct. 27	Bank of England lastes	Morgan Guaranty* Changes %						
Sterling	74.1 99.6 78.0	-19.6 -7.5 -10.2						
Austrian Schilling Belgion Franz Dupish Kroter Deutsche Mark	138.9 100.0 92.1	+10.2 -4.8 +1.9 +22.1						
Swies Francis	175.4	+23.9						

French Franc LireYen	71 47.4 221.5	-13.1 -18.0
	CURRENC	ES
Oct. 27	4	*
Argeotina Australia Brazii Fioland Greece Hong Kong Iran Kores (Sta) Kowaii	\$8820-6.9695 2.4075-2.4105 92.1360-92.6340 7.2625-7.2755 228.95-232.95 13.1845-13.1975 118.20* 1348.70-1360.90 0.47050-0.477100	4.0700-4.1200 1.4260-1.4270 54.4990-54.7710 4.3010-4.3050 135.70-138.00 7.8065-7.8095 70.70- 800.50-807.10 0.27905-0.27915
Menco	62.55-62.65 4.2485-4.2595 2779.36-2782.00 2.7370-2.7470 6.3280-6.3335	36.85-36.95 2.5195-2-5210 1644.00-1645.00 1.6205-1.6230 3.7500-3.7510 2.0770-2.0780 2.0315-2.0355

MONEY MARKETS

Fed acts again to calm trading INTEREST RATES had a lightly firmer tone on the London money market yesterday, while once take-up of Treasury bills drained market yesterday, while once again the Federal Reserve in New 2603m, with Exchequer transac-tions absorbing £25m. These out-weighted a fall in the note circula-tion adding £40m to liquidity, and

bank balances above target of

In New York the Federal Reserve provided liquidity for the banking system about one and a half bours earlier than usual, via

overnight system repurchase agreements, when Federal funds, were trading at 7% per cent, compared with an average of 7.24 per

cent on Monday.

In Frankfurt the West German
Bundesbank added liquidity to
the domestic money market at a

York sought to calm nervousness in financial markets with an early injection of liquidity into the UK clearing bank base lending rate 9½ per cent from October 26

Rates rose in London as stock markets showed signs of recovery, and after the Bank of England's signal on Monday that another cut in UK bank base rates was not welcome. The situation was confused however by the BP share issue, and the implications for equities and the gilt market.

Three-month interbank rose to \$2.69% per cent from \$36.99% per cent from \$36.99% per cent money had firmed to \$2.90 per cent money had firmed to \$2.90 per cent

The Bank of England initially forecast a money market shortage of £500m, but revised this to \$450m in the afternoon. Total help of £420m was provided.

Before lunch the authorities bought £54m bank bills in band 1 at \$7% per cent.

In the afternoon the Bank of £50 days of the month.

The minimum average require-

Sterling rose to a five-year peak against the dollar. It gained 70 points to close at \$1.6955-1.6965, the highest closing level since August The current account surplus to the highest closing level since August The current account surplus to the highest closing level since August The current account surplus to the highest closing level since August The current account surplus to the highest closing level since August The current account surplus against the dollar. It gained 70 per second against the dollar against the dolla

THE DOLLAR weakened as concern grew about the twin US deficits on trade and the budget. A widening of the West German trade surplus in September, followed recent figures from Japan, which also showed a larger trade surplus.

West German and Japanese west German and Japanese narrowed in much much much side intervention on the much much much side intervention on the many's official intervention on the many's official intervention on the many's official intervention on the many sofficial intervention on

day's official intervention on the foreign exchanges,
Sterling eased to DM 2.99 from DM 2.9975; to FFr 10.02 from FFr 10.0450; and to SFr 2.4650 from SFr 2.47, but was unchanged at YM-0.25. dollar, expressed in comments by Mr Leonhard Gleske, a Board

from SFr 247, but was unchanged at Y440 E5.

DEUTSCHE MAKE — Tradian range against the dollar in 1987 is 159.45 to 138.35. Specific range against the dollar in 1987 is 159.45 to 138.35. Specific range against the dollar in 1987 is 159.45 to 138.35. Specific range against the dollar in 1987 is 159.45 to 138.35. Specific range against the dollar in 1987 is 159.45 to 138.35. Specific range against the dollar range against against the dollar range against range against the dollar range against the dollar range against against the dollar range against the dollar range against range against the dollar range against the dollar range against range against the dollar range against the dollar range against range against the dollar range against range against the dollar r

	Ecu central rates	Currency amounts against Ecs Oct. 27	% change from central rate	% change adjusted for divergence	Divergence limit %				
Belglau Franc Danish Krone Sermun D-Mark Sermun D-Mark Sertench Franc Gutch Gelider Irish Punt tallan Lira	42.4582 7.85212 2.05853 6.90403 2.31943 0.768411 1,483.58	43,2490 7,95915 2,07406 6,94510 2,33406 0,775701 1500,02	+1.86 +1.36 +0.75 +0.59 +0.63 +0.95 +1.11	+109 +059 -038 -034 +038 +038	± 1.5344 ± 1.6404 ± 1.0981 ± 1.3674 ± 1.5012 ± 1.6684 ± 4.0752				
hanges are for Eco, therefore positive change denotes a weak surroup.									

Oct. 27	Day's spread	Class	One mosts	ра	Tirree monties	PAL.
	1.6835-1.6970	1.6955-1.6965	0.34-0.31c pm	2.90	0.68-0.63pm	1.54
nada	2.2205-2.2362	2.2350-2.2360	0.33-0.22c pm	1.48	Q.56-0.40pm	2.86
theriums .	3.36%-3.47%	3.364-3.374	15-14c pm	4.45	3 ³ 2-3 ³ 2334	3,86
igiom	62.33-62.65			1,92	40-30pm	2.24
mark		11_477-11.48%	4 , 2 ore di€	-0.59	24-35-25	-111
hed	2,1176-1 1211		0.14-0.06c pm	1.07	0.24-0.06pm	0.54
Germany .	2982-2994	2,981, 2,991,	112-11-pt pm	5.77	35-35pm	4.68
rtogal	236.88-238.99		35-95c dia	-3.27	210-305dk	-4.32
ain	194,01-195,60		45-100: ds	-4.45	135-215ds	~3.58
by	21602-2170		2-44re dis	-1.66	12-15ds	~2.50
N40	11.074-11.12%		35-Chare de	-4.53	12-124ds	-4.46
-	10.0112-10.04	10.0112-10.0212	13-1c per	1.42	112-10m	0.50
eden	10.59-10.6312	10.6212-10.6212	In-late pm	0.42	7 0 1000	0.29
	2394-2404	2394-2404	14-ly put	5.31	2%-24pm	4.58
etria	21.04-21.17	21.14-21.17	Part ores	4,93	224-204pm	4.00
ize land	2.46-2.474	2.46-2.47	12-13-c pm	6.69	31-3pm	5.07

	Day's			%	Tiree	16
Oct. 27	spread	Close	One month	P.E.	menths	9.0.
JKt	14835-14970	1,6955-1,4945	0.34-0.51c pm	230	0.68-0.63pm	1.54
reland?	1.5040-1.5120	1.5130-1.5120	0.14-0.09c pm	0.92	9.35-0.25pm	0.80
anada	1.3160-1.3200	1.3180-1.3190	0.06-0.10: 46	-0.73	0.18-0.2346	-0.62
letherlands .	1,9815-2,0005	19845-19853	0.37-0.33; pm	2.10	1.13-1.03pm	2.21
leleiste	36.85-37.05	36.85-36,95	2-11-c mm	0.53	9-632000	0.84
STATE	6.761-6.82	6.764-6.774	1.15-1.85ore da	-246	3.15-3.850;	-2.06
V. Germany	1,7600-1,7780	1,7630-1,7640	0.54-0.52pt per	3.59	1.44-1.39mi	3.19
erteeni	140-141	140-140%	55-85c da	-5.96	190-230dg	-5.82
	114.90-115.70	115.10-115.20	50-100c de	~7.79	130-180ds	-5.37
- ·	1274-1265	12744-12754	3.70-4.70the day	-3.95	11.70-13.70da	-3.96
G-1400	6.532-6.59	4.533-6.54	3.35-3.90ore dis	-641	10.00-10.40ds	-1.20
	5.894-5.95	5.90 - 5.92	0.35-0.45c day	-0.62	1.95-1.6544	-161
males	6.251-6.29	6.26 6.26h	0.95-1.25ere de	-9 10	2.50-2.70ds	-1.59
	140,40-142,30	141.55-141.65	0.39-0.367 (***	3.16	1.12-1.07pm	3.06
E1710	12.44-12.50%	12.44-12.44	2.90-2.50gro pm	240	8.75-7.25mm	2.56
altaerland	14490-14665	1435146	0.56-0.53c pm	4.98	1.36-1.29cm	342

EURO-CURRENCY INTEREST RATES										
Qct. 27	Short černy	7 Days setice	One Month	Three Months	lik Months	Comp. Yang				
Searling	9-94 7-74 7-74 5-45 11-5 5-5 11-10 61-64 62-6 9-96 7-7	外外7.2.7.5.7.5.7.5.7.5.7.5.7.5.7.5.7.5.7.5.	9-9-9-74-74-712-74-52-52-52-52-52-52-52-52-52-52-52-52-52-	9-94 74-74 8-54 54-54 64-64 13-134 7-7 7-54 48-46 10-9 76-7	9.8-96 77-74.8 89-89 9.4-4 412-4 12-114 74-7-6 44-4 10-10 76-7-6 76-7-6	9.3.4.2.4 9.3.9.5 9.4.4 124-114 7.3.7.3 412-44 104-174 85-71				

Oct. 27	£	3	DM	Yes	P Pt.	\$ Fr.	H PL	Lira	C S	à Fr
\$).	1.695	2.998	240.3	10,02	2.465	3.368	2163.	2.236	62.5
	0.590	L	1.764	141.6	5.908	1.454	1.985	1275.	1.310	36.9
DM	0.334	0.567	1.	80.35	3.351	0.824	1.126	723.2	0.740	20.9
YEN	4.162	7.059	12.45	1000.	41.71	10.26	14.02	9001.	9.305	260.
F Fr.	0.998	1493	2.984	239.8	10.00	2.460	3.361	2351	2.231	62.4
6 Fr.		0488	1.213	97.46	4.065	1.	1.366	8773	0.907	25.4
H FL.	0.297 0.462	0.504 0.784	0.888 1.383	71.34 111.1	2.976 4.634	0.732 1.140	1.557	642.2 1000.	0.664 1.034	10.5 20.9
C S	0.447	0.759	1.338	107.5	4.482	1.103	1.506	967.3	1.	300.
B Fr.	1.597	2.709	4.776	383.8	16.01	3.938	5.379	3454.	3.571	20.0

Yen per 1,000: French Fr per 10: Liva per 1,000: Belgian Fr per 100. PT LONDON INTERBANK FIXING

(21.00 a.m. Oct. 27)	3 months U.S. dollars	6 months U.S. dollars				
bid 7%	offer 7%	b≝ 74;	offer 7%			
Paris and Morgan Guar	_	ed to the pearest on reference banks at 1 of Tokyo, Deutsche (ne-sixteenth, of the bid 1.00 a.m. each worlday Bank, Banque Mathonik			
MONEY RATES						

Freehiert Paris Zurick Amelierdien Tokyn Miller Bressels Dublin LONDON MONE	3.85-3.95 75-77- 3-11- 54-54 3.40625 109-109- 3.25 77-84-	180-3.95 711-74 3-34 54-54 3-9075 102-111-1 64-63 91-84	3.85-4.00 8-8 ³ 2 — — — — — 8 ⁷ 8- ⁹ 4	4.55-4.70 84-89, 33-44, 52-55, 3.96875 215-129, 7-74, 9-94,	445-4.80 87-8%	5.0 72
October 27	Over- night	7 days	Month	Three Months	Sta Montes	One Year
Asterbask Sterling CDs. Local Authority Deps. Local Authority Bonds Discount Mkt Deps.	95-5 - 94	95-92 	912-914 911-924 92-914 93-91-9	912-912 912-910 912 1014 814	92-92- 94-91- 91-91- 10-2	92.92 94.44 94 104

FINANCIAL FUTURES

Gilts and bonds lose ground

LIFFE LONG GILT FUTURES SPTIONS
Strike Calis—Last Puts—Last
Price Dec March Dec Mirch
106 15:49 14:02 0.01 0.18
108 11:50 12:13 0.02 0.29
110 9.53 10:30 0.05 0.65
114 504 7.23 0.20 1:99
116 4.24 6.00 0.40 2.16
118 265 4.52 1.15 3.04
120 1.54 135 2.06 4.02
Estimated witume total, Calts 3,847 Puts 2,883
Prev. day's open last: Calis 44,645 Puts 31,459

Ciose High Law Prev. 102.30 182.40 108.10 102.70 101.80 — 102.20 Volume 597 (709) ny's open int. 612 (638)

Chase High Low Prev. 168.75 375.00 162.00 165.00 169.75 175.00 162.00 165.00 190.000 1,600 (1,060) 00/1 open int. 1,450 (1,427)

Previous day's open lat. 37,292 (37,600)

CURRENCY FUTURES THE STREET, STREET, Sept 1-mth. 3-mth. 6-mth. 12-mth. 14960 14920 14895 14835 14760

Close High Low 87-05 87-10 86-17 86-06 ---

LONG-TERM gilt futures and US
Treasury bond futures were
weaker on the London International Financial Futures
Exchange yesterday, as equity
makets showed a partial recovery.
The FTSE 100 index opened
higher, after a better trend in
Hong Rong and Japanese equity
markets, but finished well below
the highest level of the day.

December FTSE 100 index
the inghest level of the day.

December FTSE 100 index
futures rose to 17200 at the opening, and touched a peak of 175.00,
but fell back on continued
nervousness about the general
situaton in world equity markets,

LIFFE US TREASURY BOND POTERES DETIONS

Strike Calls—Last Prop.—Last
Price Dec March Dec March
70 17-11 16-22 0.09 0.06
72 15-11 34-29 0.01 0.12
74 13-14 12-37 0.09 0.21
76 11-18 10-12 0.08 0.36
78 9.24 9.09 0.14 0.57
78 9.24 9.09 0.14 0.57
80 7-33 7-38 0.23 1.22
82 5-44 6.13 0.34 1.61
984 4.10 4.63 1.00 2.47
Estimated volume total, Calls 191 Pets 294
Previous day's open last Calls 2,917 Pets 1,921 Pats-Dec. 2,70 0,30 0,35 0,50 1,30 3,50 16,50

9.50 1.00 2.20 3.95 76.410

U.S. TREASURY BILLS (IMM) \$1m points of 100% High 94.08 93.30 92.97 92.24 High 92.38 92.14 91.62 91.94 90.70 90.50 90.36 ■WestLB:

Fixed Income and Equities Trading for dealing prices call:

Westdeutsche Landesbank, Head Office, P.O. Box 1128 4000 Düsseldorf I, International Bond Trading and Sales: Telephone (211) 8 26 31 22/8 26 37 41. Telex 8 581881/8 581882

Westdeutsche Landesbank, 41, Moorgate, London EC2R 6AE/UK Telephone (1) 638 6141, Telex 887 984 burg WestLB International S.A., 32-34, boulevard Grande-Duch Charlotte, Luxembourg, Telephone (352) 44741-43, Telex 1678

Wesideutsche Landesbank, BA Tower, 36th Floor, 12 Harcourt Road, Hong Kong, Telephone (5) 8 42 02 88, Telex 75142 HX

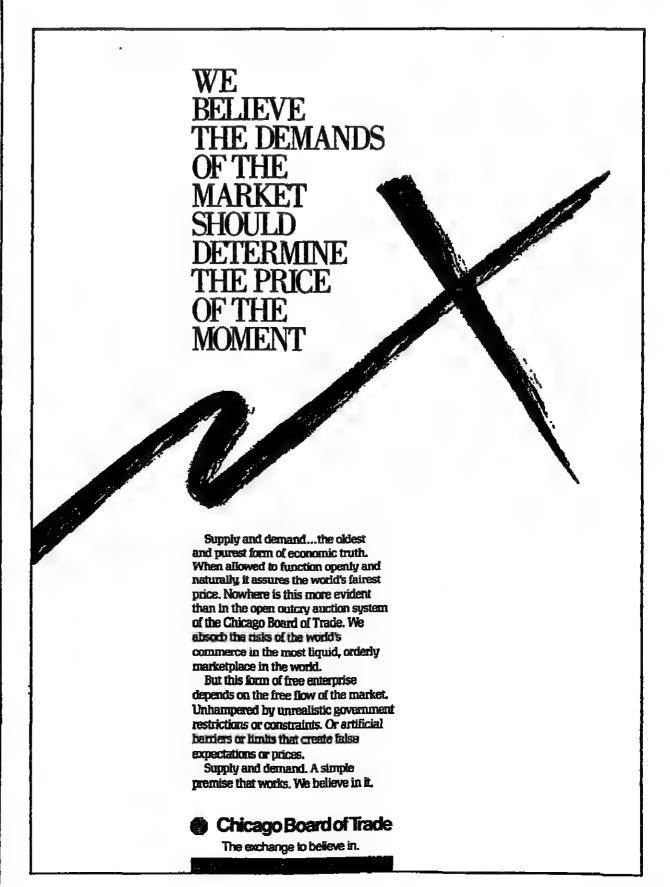
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Dealing hours from Sens to Spm. Prices takes at Spm.



FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		MONT	DAY OCTOBE	26 1987	FRIBAY OCTOBER 23 1967			hollar HREX			
Figures in parentheses	US	Day's	Pound	Local	Gress	US	Popud	Local			Year
show number of stocks	Dollar	Citange	Sterling	CHITCHE	Div.	Dollar	Sterling	Currency	1987	1987	390
per grouping	Index	%	Index	Index	Yield	Index	index	Index	High	Low	(Minus)
Australia (90)	11157	-6.8	97.89	104.06	3.82	219.59	105.72	111.00	180.81	99.92	89.24
Austria (16)	96.16	-0.1	84.41	90.22	2.31	96.24	85.08	90.22	102.87	25.53	93.65
Belgium (48)	108.43	-2.8	95.18	99.34	4.70	111.59	98.65	104.02	134.89	96.19	88.89
Austria (16) Belgium (48) Canada (129)	98.39	-7.6	86.36	93.72	3.21	106.46	94.12	103.30	141.78	98.39	97.64
Decidary (303)		-0A	96.65	102.05	2.87	110.59	97.77	103.60	124.83	98.38	96.85
France (122)	84 57	-7.1	74.23	78.90	3.49	90.99	80.44	85.28	121.82	84.57	92.53
		-53	72.44	76.17	2.48	87.14	77.08	80.93	104.93	82.52	92.53 91.32
Hone Kone (46)	89.59	-32.7	78.64	89.83	5.40	131.19	117,75	133.64	158.68	89.59	91.93
Ireland (14)	124.94	+1.5	109.67	116.78	3.80	123.12	108.85	116.78	360.22	99.50	14.08
Italy (95)	81.33	-45	71.39	77.93	244	85.14	75.27	81,96	112.11	81.33	101.87
Janan (458)	126.77	-38	111.27	113.94	0.60	131.71	116.44	138,77	363.2B	700.00	84.46
west termany (13) Hong Kong (46) Ireland (14) Iraly (95) Japan (458) Malaysia (36) Mether (14) Netherland (37) New Zealand (23)	217.20	-32	102.88	113.57	3.20	124.77	230.32	121.33	193.64	98.24	102.69
Mexico (14)	284.61	-2.8	249.82	506.75	0.59	292.74	258.80	520,91	422.59	99.72	84.17
Netherland (37)	95.65	-7.0	83.96	87.20	5.12	102.81	90.89	94.31	131.41	95.65	91.86
New Zealand (23)	104.31	-0.3	91.56	85.51	3.51	104.67	92.53	85.53	138.99	83,93	83.04
Norway (24)	131.4B	-5.6	115.41	117.11	351	139.21	123.07	124.95	185.03	100.00	102.15
Norway (24)	101.26	-7.0	88.88	96,92	2.54	108.82	96.21	104.57	174.28	99.29	105.20
South Africa (61)	140.15	-65	123.02	105.65	3.97	149.91	132.53	113.03	198.09	100.00	87.38
Spale (43) Sweden (34) Switzerland (53) United Kingdom (335)	138.30	4.9	121.40	120.49	3.34	145.40	128.54	127.50	168.B1	100.00	90.42
Swedez (34)	109.53	-56	96.15	101.95	2.24	11606	102.61	108,37	136.64	90.85	98.54
Switzerland (53)	80.96	-9.1	71.06	73.40	2.24	89.09	78.76	81.60	211.11	80.96	90.57
United Kingdom (335)	116.68	-62 -83	102.42	102.42	4.40	124.43	110.00	330.00	162.87	99.66	90.10
U\$A (583)	92.91	-8.3	81.56	92.91	3.99	101.29	89.55	101.29	137.A2	92.83	99.50
Europe (952) Pacific Başin (680)	99.80	-5.9	87.60	90.05	3.68	106.10	93,80	96.40	130.02	99.78	92.10
Pacific Başin (680)	124.91	-4.6	109.65	112.73	0.82	130.95	115.77	118.51	158.77	100.00	84.92
Euro-Pacific (1632)	114.91	-51	100.87	103.69	1.82	121.06	307.02	109.70	143.65	100.00	87.76
North America (712)	93.20	-8.2	81.81	92.98	3.95	101.57	29.79	301.33	137.55	93.20	99.40
Europe Ex. UK (617)	89.33	-5.7 -15.9	78.42	82.50	3.09	94.73	83.75	88.07	111.97	89.33	94,47
Pacific Ex. Japan (222)	102.62	-15.9	90.08	97.20	418	121.95	107.82	115.21	164.03	99.92	89.76
World Ex. US (1836)	114.70	-52	100.68	103.61	1.89	120.96	106.93	109.70	143.38	100.00	88.11
World Ex. UK (2084)	105.24	-62	92.38	99.62	2.40	112.25	99,24	106,49	138.82	100.00	92.79
World Ex. So. Af. (2358)	106.03	-62 -7.7	93.08	99.78	2.59	113.09	99.98	106.71	139.47	100.00	92.58
World Ex. Japan (1961)			84.65	92.69	3.86	104.53	92,41	100.70	134.22	96.44	96.63
	104 55	4.5	00.00		240	330.00	200.50	200	200	200.00	40.55

93.27

EUROPEAN OPTIONS EXCHANGE

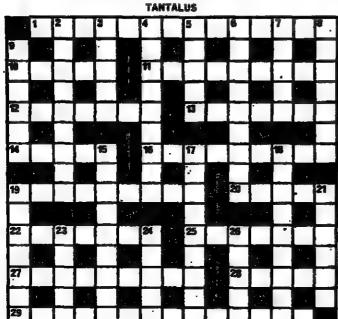
BASE LENDING RATES

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FT CROSSWORD PUZZLE No. 6,467



- ACROSS

 1 Can cooker be alight for this
- food? (5, 9)

 10 Vehicle leaves Cumbrian city for cotton thread (5)

 11 Pertinacious Old Boys can brew tea (9)

 12 He shall find the stubborn—
- bursting (Tennyson) (7)
- 13 Periodical summer in Paris a sin perhaps (7) 14 In Nassau, natives have a bath (5)
- plateau that's avoidable (9)
 17 Composer and I sound hesitant with element (9)
 18 Mistakenly call a Boer a Spanish gentleman (9)
 19 Promise head of theatre a wad of list (7) 16 Maybe a nice gal with money in cherubic (9)
 19 Claimant before nurse then wad of lint (7)
 21 Set him on a new course with belief in a God (8)
- Queen (9)

 20 Daughter gets Underground back to make first appearance (5)

 21 Deserter supports accountant with a little weight (5)

 22 Annoyed leaders of Russia in Lenigrad easily done.
- 22 Outdated name right for this
- guxiliary machine (7)
 25 Pardon graduate returning to find the answer (7)
 27 Loose blouse for Italian pat-
- 28 Encourages wild beast (5)
 29 Uncontrollably mental—do I treat the ragged fellow? (14) DOWN
- 2 Girl and I arranging duet dis-
- play weariness (9)
 3 Last five of 15 surprisingly complain (5)
 4 Quoted earlier with a war-
- ning cry on broken dais (9)
 5 Gallery accepts first sculptor showing discretion (5) 6 Cheated—used a hand tool
- BOWLER SHOOKS
 E A L H H I
 UNALDED CODICIL
 C C P N N C
 SHOESTRING OAKS
 R I E U S
 GUSTO DIVISION
 O N P I U

creature! (5)

8 Oriental bird a student finds

everlasting (7)

9 Criticises lists of candidates

15 A clergyman goes up to

in Leningrad—easily done!

26 Way everybody finds seat (5)

THIRD QUARTER EARNINGS

Schlumberger

quarter of 32 million compared to a loss of 342 million (14 comp per share) for the same period last year. Revenue was \$1.22 billion, compared to \$1.21 billion. For the first nine months of 1987, net income was \$37 million (15 cents per share) compared to \$161 million (56 cents per share); revenue was \$3.43 billion compared to \$3.84

billion.

The 1987 third quarter net income of \$2 million includes \$152 million (54 cents per share) income from continuing operations, \$220 million (79 cents per share) loss from discontinued operations and \$70 million (25 cents per share) extraordinary gain. The 1986 third quarter net loss of \$42 million includes a \$59 million (20 cents per share) loss from continuing operations, and \$17 million (6 cents per share) income from discontinued operations. These figures are explained more fully below.

Continuing Operations

The \$152 million income from continuing operations in 1967 includes an unusual \$69 million after-tax gain on the sale of the company's investment in Compagnie Luxembourgeoise de Teledifusion. In 1986, the \$59 million loss from continuing operations was due entirely to unusual items primarily including employee termination costs in Official Discontinued Operation

Extraordinary Item

in July, Sedco Forex received an award from the Iran-U.S. Claims Tribunal which, after taxes and other expenses, amounted to approximately \$70 million. This award arose from Iran's seizure of SEDCO, lac, drilling business in 1979, prior to its acquisition by Schlomberger.

Commenting on the results, Eusin Baird, Chairman, indicated that, excluding unusual froms, third quarter income from continuing operations in 1987 was \$83 million compared to break-even in 1986. He stated that the increased income from continuing operations was due to improvements in Olifield Services, mainly in North America, Latin America and Africa.

He added that Olifield Services revenue of \$588 million was 3% higher on a comparable basis than in the third quarter of 1986 and also gained over the previous quarters this year: 9% over the second quarter and 10% over the first, Measurement & Systems revenue improved 3% on a comparable basis, to \$503 million; good results were reported by several units of Schlumberger Industries, notably Electronic Transactions and the electricity, water and gas meter activities; Schlumberger Technologies' Automatic Test Equipment and Computer Graphics systems also improved.

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38	Financial Times Wednesday October 28 1987
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18.0 1.9 31 23.6 8.0 23 35 17.0 55 44 23 10.4 5.73 \$ 5.8 \$ 16.5 29 46 10.4

THE UK stock market responded to the rally in the Far Eastern and US trading centres with somewhat cautious improvement. Share prices were top-ping off at the close as Mr Nigel Lawson, the UK Chancellor of the Exchequer answered questions on the economy in the House of Commons.

Concern over prospects for a postponement of the £7.2bn British Petroleum share offer, due to close today, were still unanguated at the close £5.5b. Like answered at the close of the UK markets. London and overseas banks underwriting the issue face substantial losses, which will fall on the market at the end of this week

Once again, it was a rollercoaster session, with attempts to take prices to higher ground constantly checked by profitaking from within the market. Market turnover was high at

Share prices opened sharply higher as the good news from Hong Kong and Tokyo brought

in some genuine investor buy-ing of stocks in London. Private investors were en-couraged both by hopes for fur-ther cuts in UK bank base rates. and by an encouraging survey of opinion by the Confederation of British Industry.

But marketmakers were quick

to sell into a rising stock mar-ket, and share prices soon turned back, and drifted briefly into negative territory at mid-ses-

ground later, and responded briefly to an opening spurt in the New York stock market, But buying support failed to strengthen, and prices were trimmed when Wall Street gave back part of its initial gain.
At the close, the FT-SE 100 Index was a net 19.2 up at 1703.3, a modest enough rally in the in-dex which had fallen by 617

points over the previous six The shadow of the BP issue lay over the market, which seemed "relatively disinterest-ed" in international factors after the first hour of trading, according to a dealer at a major

Shares in British Petroleum remained sluggish as the City awaited news on the progress of the issue. At last night's close, the shares remained more than 60p below the 330p price at which the new stock was under-

written. British Airways managed a tion issue, including British Gas and British Telecom, made little headway despite the firmer index gains came from a rally in

retail and financial stocks, which were hit hard during last week's shakeout. Government bonds closed

about % down as traders reacted to the doubts over the BP issue. If the issue were with-drawn, then the lost cash to the Treasury coffers could mean sales of bonds by the authori-

However, bonds had rallied from their low points, respond-ing to a similar trend in the US Federal market, Index-linked bonds gave back 1% of their re-cent rise as traders took profits. Financial sectors moved erratically, mirroring swings in other markets. The big-four banks in-cluded firm features in Barclays. 20 up at 463p, NatWest, 17 firmer at 560p - both stocks are regarded as prime defensive stocks in falling markets - while Midland, still a bid target ac-cording to recent reports, ad-ded 8 at 363p. But Lloyds were again upset by worries over Third World debts, particularly in Brazil, and dipped 20 to 280p.

Royal Bank of Scotland put on 16 to 321p, after vague takeover hopes resurfaced, while TSB edged up 2 to 117p on a tunover of more than 4.5m shares. Little interest was shown in merchant banks. Morgan Grenfell hardened 15 to 305p but SG Warburg eased a shade to 330p.

Elsewhere, FNFC attracted persistent support and rallied well to close 32 higher at 226p, while the better showing in while the better showing in Hong Kong markets after the latest rescue package an-nounced yesterday helped Hong Kong & Shanghai Bank move up

Kong & Shanghai Bank move up 6 to 57p

A technical rally triggered widespread good gains throughoutinsurances. Legal & General gained 14 to 263p and Prudential rose 30 to 793p. In lifes, while composites were featured by Commercial Union, up 5 to 328p, and Royals which spurted 15 to 390p. Brokers showed Willis Faber 6 harder at 283p and Sedgwick a few pence better at 213p. Brewery shares took a modest turn for the better as investors began to show interest vestors began to show interest in what is regarded in some quarters as one of the sectors with useful defensive qualities. Trading in the leaders was a lit-tle more brisk than of late, but the main feature of the day was provided in the secondary stocks where Greene King moved ahead smartly on reports that Elders IXL was attempting to increase its 4.9 per cent holding in the company to around 15 per cent. Greene King closed 28 higher at 458p. Among some of the other more speculative issues, Vsux advanced 21 to 510 and Wolverhampton and Dudley 7 to 377p. Matthew Brown, in contrast, dipped 63 to 600p as Scottish and Newcastle won its

Equities show recovery while Government bonds give back some of recent gains

FINANCIAL TIMES STOCK INDICES											
	Oct.	Oct	Oct.	Oct.	Oct.	Year	19	87	Since Compilation		
	27	26	23	22	21	299	High	Low	High	Liter	
Continuent Sess	88.92	89.68	87.50	86.06	85,47	\$2.94	93.32 08/53	83.73 (1971))	127.4	49.18 (3/1/75)	
Fixed Interest	95.19	93.A2	91 <u>.96</u>	91_90	91.75	88.86	99.12 0.5%)	90.23 (2/1)	105.4	50.53 (3/1/75)	
Ordinary ¥	1322.0	1307.1	1396.8	1435.3	1527,3	1255.6	1,926.2 (16/7)	1,307.1	1,926.2	49,4 (26/6/40)	
Gold Mines	330.2	350.5	386.4	379.0	3%.8	277.3	497.5 (48)	288.2 (19/2)	734.7 (15/2/83)	· 43.5 (26/10/71)	
Ord. Div. Yield	4.66	4.67	ا 57يه	4,22	3.97	4.46	S.E. ACTIVITY				
Earnings Yid,%(fell)	11.57	11.50	10.76	10.41	9.72	10.29	tr	dces	0c. 26	Oct. 23	
P/E Ratio (net) (*)	10.57	10.66	11.40	. 11.78	12.58	11.92	Gift Edged	Bargaios		163.6	
SEAO Bargains (5 pm)	57,523	57,989	74,661	85,240	103.680	\ - '	Equity San	wins	- 507.5 - 3019.2	642.5 6307.6	
Equity Turnsetr (Ent)	-	1493.72	3021.66	2588.91	2838.13	623.60	5 Day Ave	73 9 E		- amr.e	
Equity Bargains	-	78,322	99,151	11A,974	109,235	23,512	Gift Edged Equity Bar	Bargales	147.9	140.5	
Shares Traded (ml)	_	659.2	863.4	919.1	834.4	274.8	Equity Valu	je	625.5 5197.4	5%2 56125	
▼ Opening	10 a.m.		a.m.	Noon		1 p.m.	2 p.m		p.m.	4 p.m.	
1342.9	1333.3	13	30.2	1311.9	<u> </u>	315.1	1328.	1 1	338.5	1324.1	
Day's High 134	Day's High 1345.6 Day's Low 1303.7 Basis 100 Gost. Secs 19/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 15.67 * Nil-10.42.										
	LONDO	REPOR	T ANR	LATEST	SHARE	HUIEK	TEL MA	316 mizs	,	٠.	

bid battle for the company and withdrew its cash offer of 750p per share. The share exchang terms remain open.
Leading Building issues see-

Leading Building issues see-sawed in relatively low turn-over prior to closing firmer for choice. Particular attention was paid to the sector's prime take-over candidates Barratt Devel-opments and Costain, the former touching 162p prior to closing 10 higher at 160p and the latter ris-ing 19 to 237p. Taylor Woodrow were deemed oversold and ral-lied 18 to 290p, while John Mow-lem picked up 26 at 339p. Else-where, Tarmae improved 14 to 222p following publicity given to the forthcoming visit by ana-lysts to its US operations. Blue Circle picked up 12 at 310p and Steetley improved 9 to 318p.

Steetley improved 2 to 318p.
Marley put on 1518o 140½p amid reports that a parcel of some ½m shares had been easily placed. Ashstead gained 90 to 375p in a restricted market following the chairman's confident statement at the annual meet-

Stores continued to display the defensive qualities of the sector and made rapid progress early on before retreating and picking up again. Marks and Spencer, scheduled to announce interim results today - BZW are forecasting £182m pre-tax, Wood Mac £175m and County NatWest £175m - closed 3½ up

at 206p, after 209p. N.Brown Investments, after announcing interim profits up from £2.7m to £4.9m and a proposed sub-division of the shares to 10p units, hardened 10 to

But Underwoods suffered bad-iy from selling triggered by ad-verse Press comment on the verse Fress comment on the static profits performancean-nounced on Monday anddrop-ped 17 to 128p, after 126p. Among a handful of features in the electricals and electron-

ics sector Cable & Wireless per-formed exceptionally well, closing 24 up at 304p on a turnover of 9m shares in response to the improvement on the Hong Kong market. British Telecom also at-tracted good support on yield considerations and settled 2 firmer at 225p.

STC proved a notable weak spot and the shares fell sharply to close 22 down at 206p after news that Northern Telecom has agreed to reduce its stake in has agreed to reduce its stake in the company - recently ac-quired from America's ITT -from around 28 per cent to 24 per cent. Amstrad also came un-der persistent small selling pressure to end the session a net 11 off at 122p, while Thorn IMI remained a vulnerable market and retreated 8 more to 470p.

Pressac jumped to 275p immediately following the sharply increased annual profits but succumbed to profit-taking and ended the day a net 10 up at 2655, while preliminary profits up from £1.82m to £3m and a proposed one-for-three scrip is-sue lifted Microfilm Reproductions to 510p prior to a close of 480p, down 15 on the day. News that Dutch group Geveke Elec-tronic has taken a 10.3 per cent stake in the company lifted Zyg-al Dynamics 15 to 125p. Selected leading Foods went

better as the overall tone improved. Cadbury Schweppes fared best among international stocks within the sector and ralled 7 to 224p. Tate and Lyle on the other hand continued to drift and settled 9 off at 645p. Dalgety improved 10 to 290p on yield considerations, while Booker, having taken a pounding on Monday, picked up 11 at ing on Monday, picked up 11 at 321p. Hillsdown improved 5 at 255p and Northern bardened a penny to 235p. Among Retailers, J. Sainsbury recovered 12 at

J. Sainsbury recovered 12 at 240p and Tesco picked up 7 at Hotels staged a moderate rally with Ladbroke 3 up at 329p and Trusthouse a similar amount to the good at 200p. Grand Metropolitan were a subdued market and settled 8 off at 400p.

International stocks opened higher, but with market nerves still frayed by the recent rout, prices soon began to drift back from the day's best levels. A firmer start to trading on Wall Street failed to inspire any real. confidence and final gains on the day were relatively modest. Boots, however, staged a good revival in line with the other Store leaders before closing 7 higher at 229p in a volume of some Low shares. However Transwere again one of the most ac-

down 5, but London International stage a usefull revival at 240p. Elsewhere Reed Internation

recently acquired a near 5 per cent stake, met with a revival of reen state, mer with a revival of speculative demand and closed 18 higher at 399p in a volume of some 7.5m shares. Pearson dipped 47 further to 638p; the company announced yesterday that it had decided not to go ahead with the sale of its West-root holding because of the pool holding because of the material adverse change in market conditions. Tranwood, in contrast, featured with a jump of 8 to 52p on news that the AlDahla-wi Company and its chairman have acquired a combined hold-ing of 5.9 per cent. It is intended to expand the links between AL Dahlawi's banking and finan-cial services operations in the cial services operations in the Middle East and Tranwood's financial services subsidiaries in

Really Useful touched 510p on the increased annual profits and proposed 100 per cent scrip issue before slipping back to close unchanged at 505p. Leisure Investments rose 10 to 120p; Ritz Palace has increased its holding to 28 per cent.

In the Motor sector, Lucas rallied 10 to 509p on the company's defensive merits; Scrimgeour Vickers expect further strong profits growth and highlight the high net asset value relative to

al, in which Mr Rupert Murdoch

tively traded stocks (11m) our settled only a penny firmer at 125p. Glare finished unaltered at £11%, while Fischs, up to 275p at one stage, ended only 9 better at 258p. Among the anti/Aids related stocks, Wellcome remained friendless at 312p.

were transacted comprising 19.163 calls and 13.175 puts. The PTEE contract attracted 1.233 calls and a similar number of

the share price.

The Property sector had a healthier feel about it, but an initial surge failed to hold and prices closed well below the best. Land Securities, having prices closed well below the best. Land Securities, having touched 440p early on, eventually closed only 5 dearer on balance at 435p. MEPC finished 2 dearer at 425p, after 432p. Peachey staged a useful rally to close 3 better at 338p. Selected secondary Issues staged a recovery with Helical Bar rising 12 to 222p and New England Properties gaining 7 to 42p. Pheenix Properties, boosted by traditional option activity, added 15 to 105p and

Clarke Nickells rallied 10 to 110p. Bat Industries lost most of an Eat Industries lost most of an early, small improvement to close little altered at 451p, but Rothmans, an old takeover favourite, closed 30 better at 347p. A strong rally first thing in oll and gas issues was "overdone" according to dealers who quickly marked prices lower after the initial strong gains. However, sentiment improved during the afternoon but not enough to B. Ellistt, British Pet afternoen but not enough to preventwidespread overall fails in the sector. Traded option activity tailed off 32,338 contracts

puts. Hanson Trast were again popular with 1.497 calls and on-ty 830 puts transacted.

Traditional Options

● First dealings Oct 5 ● Last dealings Oct 16 ● Last declarations Jan ? For rate indications see end of

Landon Share Service Stocks dealt in for the call in-cluded Morgan Grenfell, Am-strad, Argyle Trust, Caradon, Phoenix Properties, Southend strad, Argyle Trust, Caranon,
Phoenix Properties, Southend
Stadium, Lourho, Dinkee Heel,
B. Elliott, British Petroleum
Tettenham Hotspur, Thomas
Borthwick, Rolls-Royce, Britoil,
Wallong Hillsdown GKN Wellcome, Hillsdown, GRN. Bryant Holdings, Newage Trans-mission and C.H. Bailey. No puts or double options were report-

TRADING VOLUME IN MAJOR STOCKS



DIGUS AND FALLS VESTERDAY

Libra Man Libra	1 the vieles	- 1 m	
	Rises	Falls	Same
Finds rations, Duminion and Fereign Bonds	· •	109	29
rials isl and Properties	638	991	457
20 000 Propercies	34	44	212
tions	6	3	11
	S	说	25

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUR-SECTIONS	Tuesday October 27 1987							Fri Out 20	Thu Oct. 22	Yeer age (approx)
F	Figures In parentheses show number of stocks per section	index No.	Day's Clause	Est. Ezmings Yield% (Max.)	Gross Die. Yield'in (Act al (27%)	PIE Ratio (Net)	ud mil. 1987 to date	ladex No.	index No.	Index No.	Index No.
1	CAPITAL 60803 (214)	705.94	+0.7	9.96	4.01	12.61	18.27	761.81	773.57	798.31	645.09
2	Building Materials (30)	897.35	+2.2	10.35	4.10	12.04	22.91	877.67			
3	Contracting, Construction (33)	1302.83	+25	9.57	3.86	13.96	29.46	1271.0			
4	Electricals (14)	1903.14	+1.8	9.52 10.40	4.57	13.71 12.53	34.0	1868.95			
5	Electronics (34)	370.97	+0.9	9.84	1.25 4.32	12.78	35.33 11.61	1595.5			
8	Metals and Metal Forming (7)	393.88	-8.5	10.26	4.30	11.87	911	367.74			955.29 328.68
q	Microry (14)	259.73	-01	11.96	4.48	9.72	586	260.00			
10	Other Industrial Materials (22)	1207.81	+2.8	8.63	4.29	13.72	36.48	1175.2			
21	CONSUMER GROUP (183)	1007.75	+1.4	819	3,49	15.53	18.71	993.85			
22	Brewers and Distillers (22)	934.19	+8.5	10.78	3.96	11.72	17.52	129.5			£26.85
25	Food Manufacturing (25)	785.56	+1.5	9.38	3.96	13.76	15.56	772.9			
26	Food Retailing (16)	2069.12	+2.9	7.12	2.85	18.72	39.67	2010.7			
27	Health and Household Products (1,0)		+0.6	6.56	2.59	17.62	16.41	1702.7	1838.31	1870.93	1486.11
29	Leisure (30)	1967.52	+9.3	7.51	4.26	16.63	28.16	1064.47	1163.57		911.67
31	Packaging & Paper (16)	505.00	-11	8.18	3.52	26.20	11.13	530.64			452.76
32	Publishing & Printing (15)	3372.08	+1.8	6.00	4.20	21.38	67.89		3530.12		
34	Stores (35)	859.49	+2.1	8.21	3.42	16.49	16.95	841.67			849.91
35	Textiles (16)	622.58	+2.4	10.12	3.71	11.43	12.57	687.74			517.20
40	OTHER GROUPS (86)	827.47	+11	10.52	1.29	11.34	20.82	618.8			759.52
41	Agencies (17)	1015.04	+0.7	6.17	2.25	21.35	16.79	2008.32			
42	Chemicals (21)	1016.87	-05	9.69	432	1241	33.10	1021.45			777.07
43	Conglomerates (13)	1752.93	-0.1	9.67	4.44	13.59	22.33 51.44	1064.7			8.0
45 47	Shipping and Transport (11)	85E.22	+2.6	9.67	4.70	11.43	18.98	1768,70 849.74			1490.58 754.68
48	Miscellaneous (22)	1176.33	+1.4	12.87	4.02	9.27	32.87	1159.63			
_	INDUSTRIAL CROUP (483)		+1.1	9.76		13.59		879.6			-
49		689.66			3.84		19.71				833.82
51	Oii & Gas (17)	1682_53	-0.7	10.19	5.82	12.11	65.73		75230		
59	500 SHARE INDEX (500)	956.93	+0.9	9.40	4.13	13.35	23.68		1020.24	1841.49	256.80
61	FINANCIAL GROUP (120)	635.33	+1.4	_	4.84	-	20.08	626.45			
62	Banks (8)	634.78	+1.5	21.82	6.13	6.29	25.98	625.65			
65	Insurance (Life) (9)	905.72	+2.5	-	4.92	- 1	32.56	883.37			
66	Insurance (Composite) (7)	494.74	+1.7		5.57		17.20	486.45			478.89
67	Insurance (Brokers) (8)	915.86		12.15	6.25	7022	38.19	914.99			
68	Merchant Banks (12)	391.73	+1,1		3.38	-	8.69	387.45			342.56
69 200	Property (48)	946,96 411,59	+0.4	5.14	3.14	25.07	16.02 10.39	963.19			781.99
70	Other Financial (28)		+23	8.66	3.89	14.70					353.27
71	Investment Trusts (88)	879,89	-05		2.81	-	15.17	884.39			897.44
虹	Mining Finance (2) Overseas Traders (10)	382.82 883.55	-2.7 +4.3	11.85	4.46 5.53	9.49	10.41 33.95	393.41 847.18			322.68 745.43
_				10.42							
99	ALL-SKAWE INDEX (721)	87L35	+0.9		4.21	_	22.36	863.73	930.33	953.46	786.97
		Index	Day's	Day's	Day's	Oct	Oct	Ocz	Oct	Oct	Year
_	FT-SE 100 SHARE INDEX #	No. 1703.3	+19.2	High 1735.0	1677.1	26	23 1795.2	22 1831.2	21 196.5	1801.6	1583.6
FIXED INTEREST					AVER. REDE	AGE GRO MPTION	ISS YIELDS		Tue Oct 27	Mon Oct 25	Year ago (approx.)
_		_			(_			_		

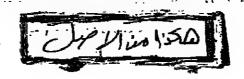
	FIXED INTEREST					AVERAGE GROSS REDEMPTION VIELDS			Tue Oct 27	Mon Oct 25	(approx.) ago Year	
	PRICE INDICES	Tue Oct 27	Day's change %	Mon Oct 26	xd adj. today	xd adj. 1987 to date	1 2 3		5 years 5 years	8.98 9.32 9.14	8.86 9.25 9.87	9.75 10.37 10.38
2 3 4	British Government 5 years 5-15 years Over 15 years Irredeemables	122.55 138.60 147.76 166.19		122.98 139.41 148.57 166.32	- -	9.45 12.01 12.02 13.35	7	Medical Cospess 1 High Coupons 1	5 years	9.58 9.55 9.30 9.65 9.74 9.36 9.15	9.42 9.47 9.24 9.50 9.66 9.51 9.67	11.17 10.74 10.39 11.24 10.92 10.49 10.15
6	All stocks	135.82 120.75 108.51 109.37	-0.50 -0.38 -1.19 -1.12	136.49 121.21 109.82 110.61	-	2.18 2.89 2.82	12 13 14	Inflation rate 5% inflation rate 5% inflation rate 5% inflation rate 10% inflation rate 10%	5prs Over 5 prs 5 prs Over 5 prs	3.48 4.31 3.62 4.34	334 423 348 426	4.34 3.81 2.92 3.65
_	Schenipres & Loans Preference	116.87 83.03		117.93 83.17	-	9.39 4.95	19	Debs & Lettes	5 years	11.23 18.97 10.97	11.23 10.83 10.43	11.63 11.58 11.53

1 Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of con-angulable from the Publishers, The Financial Times, Bracken House, Camon Screet, London EC4P ABY, price 15p, by great NAME CHANGES: Emess Lighting is now Emess and Triplex is now Triplex Lloyd.

LONDON TRADED OPTIONS PUTS 18 22 25 35 40 40 湯 220 24 240 13 260 9 25 14 26 14 28 14 22 20 17 50 280 86 300 60 320 50 105 40 50 45 70 90 955 2013 55 5 116 12 126 8 130 5 70 45 25 26 26 102 104 106 108 47.15 07 08 08 Ξ, 4466 100 100 125 Tr. 12% 1995 (*111) 342 -34 -34 -44 5 选 = 3 -440 114 5# 4 # 2 # 2 # 28 25 20 <u>5</u>2 1811 **Z**3 18 27 30 37 45 55 49 75 35 48 47 62 60 75 75 60 48 290 200 180 100 120 150 45 80 65 75 85 95 17 65 30 27 25 53 70 85 30 50 60 50 50 60 50 45 85 70 50 18 20 40 De Beers (*\$2075) 28 34 53 150 130 110 90 35 50 50 25 40 45 20 28 30 190 275 160 240 130 210 115 135 160 160 190 230 16 13 8 4 20 17 17 23 11 38 7 57 20 40 55 45 65 37 47 25 32 35 42 63 48 33 40 57 78 35 52 73 55 19 24 15 13 18 20 8 11 27 12 15 18 8 11 13 3 7 9 50 55 50 25 45 65 17 - -30 20 153 160 167 26 30 18 22 Not Feb May Not Feb May 110 130 50 80 90 75 60 90 100 22 28 35 75 90 115 60 40 23 73 53 40 43 68 113 50 65 75 35 55 60 25 40 50 40 35 20 15 20 30 32 45 50 Oct. Nov. Dec. Jan. Oct. Nov. Dec. Jan. 80 150 150 180 80 150 170 120 170 190 220 40 115 130 170 120 170 190 220 240 240 240 240 240 260 280 280 280 280 280 270 320 230 330 355 20 45 75 110 250 320 330 355 Cadany Schree (*224) 18 27 53 17 25 32 43 27 38 40 33 45 50 53

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October 27. Total Cootracts 32,336. Calls 19,163. Puts 13,175. FT-SE Index Calls 1,231. Puts 1,312.

43 27 22

WORLD STOCK MARKETS

AUSTRIA	GERMANY	SPAIN	AUSTRALIA (Centimest)	JAPAN (Continued)	
October 27 Price + er Sch % - 105 - 105 - 100 - 100	## Price + 07 Price + 07 Price + 07 Price	October 27 Pts. + # Pts. Alcazor	Schuber 27 Pritz • st Amil -	### 100 Price * mr	CANADA
Creditansial: 2,005 105 Goesser 2,550 106 Goesser 11,500 50 Junghustrianer 8,000 210 Laerderboats 379 9 Pertmosser 650 32 Stepr Damier 113 3 Vestscher Mag 750 38	AEG	ACCASE	News 10.50 -1 Novanda Pacolic 2.00 -0.5 Novanda Pacolic 2.00 -0.5 Novanda Pacolic 2.00 -0.25 Databridge 2.035 Pacolic Design 4.00 +0.2	Niggon Scient Sho +30	Sales Stack Righ Law Geez Gang Sales Stack Wigh Law Gless Gang Sales Stack High Law Gless Gang Companies St4 131 131 St Stack High Law Gless B 1 S18 141 141 +12 1100 Scotts G 5101 1012 -14 10050 Companing SS16 5 Sta +14 28600 Leigh Inst 415 575 375 45856 Sengram 569 671 6715 +112
Steyr Damier 113 -3 Vesteler Mag 750 -38	Bayer-Hypo 390 +25 Bayer-Versia 383 +13 BHF-Bask 520 +15 SMN 532 +34 Brown Baseri 300 +6	Banco Popolar	Discrete 0.5 0.5	Nigsan Moor 306 -9 Nigsan Floor 1,310 +110 Neure 3,540 -110 Ownes 90 -20	TORONTO 20000 Comput to 25 200 220 21850 Lobitor Co 5151, 11 110 110 51654 Sears Can 50 65 83 +1
BELGIUM/LUXEMBOURG	Commerchanh 244.5 +4.5 Con'l Gason 256.5 +6.5 Daimher Bear 883 +35.5 Degress 41B +13	Sanco de Vizzay	Quevejant Cast		245 Core Gas \$250 250 250 4 5 65599 McCan H K \$18 170, 171, 171, 114 500 Segme \$18 18 18 -12
8.8.L 2650 50	Derpotes	Telelooka 146.00 -3	Toth	Bicoh	250 250
Bank int. A	Destractive Bank	SWEDEN	Vanua 2.50 Viestern Minne 5.00 Viestern Minne 5.00 Viestern 4.45 Voodsile Petrif 1.45 Voodsile Petrif 1.45 Voodsile Petrif 2.50	3.450	87179 Albrita En \$171, 187, 167, 4 1, 1200 Cotalin Laf \$81, 51, 61, 61, 61, 61, 61, 61, 61, 61, 61, 6
B.B.L	Horestst	Scholar 27 Price + ar		Sapporm	Closing prices October 27 Section Continues Section Sec
Fabrupe Rat	Hussel	AGA (Free) 180.00 +8 Alfa-Lana 325.00 -2 ASEA 8 (Free) 363.00 -2 Asia 8 (Free) 202.00 -3 Asia S (Free) 162.00 -3		Sanua Schlo	99300 Asamera 3514 76 76 -1 20550 Denson A 9 357 54 54 -1 128740 Moore 2514 281 281 281 281 281 281 281 281 281 281
Genera	Linde 623	Cardo (Free) 290.00 Cellateca 310.00 1-7	HONG KONG	Samutanto Corp 108 - 42 150 1	2506 BC Canger A 2512 21 - 2 2500 Dictares B 5152 212 12 - 2 2 2500 Dictares B 5152 212 12 12 12 12 12 12 12 12 12 12 12 1
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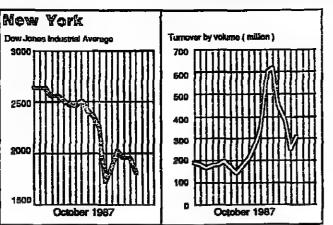
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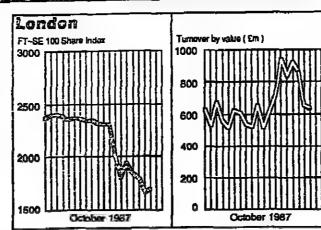
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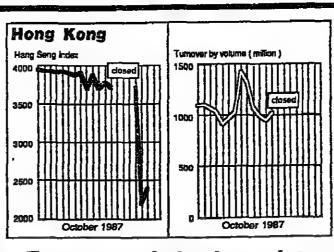
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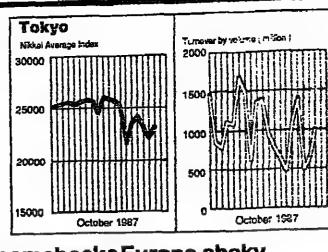
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Wall Street in modest rally@London muted by BP issue@Far Eastern markets stage strong comeback@Europe shaky

EXAMERICA

Dow picks up modestly in quieter session

WALL STREET

REASSURED by more stable markets abroad and a weaker bond market at home, Wall Street stocks managed modest gains yesterday in the calmest session since the market rout began 10 days ago, writes Roder-ick Oram in New York.

Bonds, suffering from a weak-er dollar, gave up almost 2 points of their spectacular six-session rally which had pushed up the price of the benchmark long bond more than 12 points.

The Dow Jones industrial average closed up 52.55 points at 1,846.48. It was up around 85 points early in the session, but gave up some of its gains as investors took to the sidelines to

await developments in the Washington budget talks.
They modest raily was heavily concentrated in the Dow industrials and other blue chips. however. Broader market indi-ces did less well as secondary and tertiary stocks drifted below their opening levels. New York Stock Exchange

volume was 261m shares despite the session ending two

The New York Stock Exchange said a seat on the exchange was sold for \$625,000, which is \$125,000 lower than the previous The exchange said the current bid price is \$606.000 and the cur-rent offer is \$725,000.

hours early. It was the least volatile session since the market's rout began 10 days ago. Advancdeclining by only a slim margin. Japanese investors were inac-tive buyers and sellers, although some selling was seen from London investors. US companies' continued repurchases of their own stock helped main-

tain buying.
Among the blue chips, IBM added \$44 to \$1164, AT&T edged up \$74 to \$27, General Motors rose \$44 to \$594, United Technologies was up \$% to \$34% and Eastman Kodak gained \$1.2 to \$50%.

Allegis was one of the best performers. It soared \$7½ to \$69 after it announced the sale of its Westin hotel chain for \$1.53bn to Mr Robert Bass, the Texas investor, and a Japanese group.

Resorts International Bass and Size of the Sales of the Composite index, which had climbed 92.95 in early trading, was a net 32.80 higher at Sales of the shares jumped \$16 to \$118. Mr Donald Trump, the New York property developer and casino owner, offered \$135 for each of the voting B shares he does not own. He won control of the casino group in July when he bought 78 per cent of the B shares, 72 per cent of the total voting power.

CBS gained \$6% to \$152. It c\$2¼ to C\$88% and Canadian said it had begun to negotiate Pacific added C\$% to C\$19%.

with Sony of Japan which had earlier offered to buy CBS Re-cords. CBS said, however, that any final agreement would be subject to approval by its board. Sony's American Depositary Receipts rose \$4% to \$23%.

L.F. Rothschild added \$4 to \$5. The investment dealer was the first major Wall Street firm to announce its losses to date from the stock marker's col-lapse. It suffered a \$44m loss, nainly on equity trading and ar-

Brokerage houses lagged behind the market's general rise. Salomon Inc rose \$\frac{1}{2} to \$19\frac{1}{2}, Credit markets opened sharp-

ly lower in New York after a sell off in US bonds overnight abroad. By early afternoon they had regained some of the lost ground, leaving the Treasury's benchmark 8.75 per cent long bond off 11% at 97% yielding 9.08 per cent.

Bonds were hit by a weakening dollar, particularly against the D-Mark after West Germany announced a large trade sur-plus, and by the better showing of equity markets. With the in-flow of cash from equity marthree-month Treasury bills rose rently of any use in establishing Paul Betts in Paris.

Before the weakness set in, bond dealers were already seeing a lot of resistance from in-vestors to the benchmark long bond rising close to par for a yield of 8.75 per cent

The Federal Reserve yet again made an early and big effort to add reserves to the bank-ing system with overnight system repurchases. The Fed Funds rate at which banks lend reserves to each other re-mained higher than the Fed would probably like.
The main influences seem to

be a high Treasury cash balance at the Fed and a large volume of maturing repurchase agree-

Energy Issues were broadly higher, with Texaco Canada rising C\$½ to C\$26, Imperial Oil class A advancing C\$½ to C\$60 and Gulf Canada Resources ad-

and Guil Canada Resources auding C\$1/4 to C\$15%. Shell Canada, which announced higher third quarter earnings, climbed C\$1/4 to C\$341/4.

CANADA

Mexico suffers further

from New York fall-out

MEXICO CITY'S Stock Ex-change, the fastest growing in in banks and stock brokerages. the world this year, saw its 49. Less sanguine observers

stock index crash below 200,000 voiced concern that the recent in early trading yesterday after a further 16.5 per cent had been wiped off share prices on Mon-ket, pointing out that many new

day, writes David Cardner in Mex- investors in the stock market

were selling up. The number of The index lost 19.3 per cent in investors in the small bourse the course of the last week. The has quadrupled in the past 18

400,000.

Nervous major bourses stage tentative recovery

EUROPE

FRANKFURT

picked up a little yesterday but the eaderlying tone of the mar-het was still highly nervous and uncertain, writes Andrew Fisher

The Germin market has ab-roved the sharp downward swings of other main stock mar-lets. Since October 16, the Fri-day before Wall Streat's collapse, the German market has falles 15.5 per cent, as measured by the mid-session Commerchank in-

Yesterday, it stood at 1,586.2, up 1 per cent after dropping al-most 6 per cent on Monday.

"The bourse is being strongly influenced by psychological fac-tors," said Mr Thomas Noisse-Erabbenhooft, chief applyst with Degah, the investment research arm of Deutsche Bonk. In Germany and elsewhere, markets are looking for a new valuation basis."

He added that German stock markets were largely influenced by external factors. The slingh-ter is not taking place in Ger-many, but in Japan and the US. But it affects us here."

Neither technical analysis nor some seven basis points to where the market was likely to around 5.30 per cent. go. "It won't be business as usual yet and it won't be a collapse, but prices will go sideways with slight ups and downs until a new basis is found," said Mr Neisse-Krabbenhoeft

Selected advances yesterday included Daimler which rose DM35.50 to DM883, Siemens up DM13 to DM518 and Deutsche

trade figures produced a surplus of DM11.5bn (\$6.5bn).

LONDON MADE a determined effort to follow the rallies of other global markets, but was restrained by a day of uncer-

sury late in the session, which said no decision on the BP issue

would be announced yesterday, did nothing to dispel specula-

tion. Dealers keenly awaited re-ports from the House of Com-

mons where Mr Nigel Lawson.

over, answered questions on

since the market entered its downward spiral last week.

The session started well, with share prices rising sharply as

The market recovery helped by news of a HK\$2bn (\$256m) lifeboat for the Hong

AMSTERDAM

AN UPSWING in the Far East and on Wall Street prompted signs of renewed confidence in Amsterdam yesterday and share prices spurted higher across the board in lively trading, writes Laura Raun in Am-

The crash has dealt a mighty blow to jobbing firms and mar-ket makers on the bourse as well as on the Amsterdam-The weighted ANP-CBS index change.
The weighted ANP

Despite the bout of bargain-hunting which buoyed prices, the underlying tone remained hesitant as traders and analysts pondered whether the crisis of confidence is truly over. confidence is truly over.

Mellegers and van den Elsak-er's stock exchange member-ship was immediately revoked "We're just trading from mo-ment to moment," said one bro-ker dealing with institutional investors. "No-one is really sure but yesterday the firm asked the bourse for a reinstatement. The stock exchange declined to which way the market is going from here. reported to be under close surveillance by Kas Associatie to ensure that they continue to

Over the past week the Amsterdam bourse has plunged almost 22 per cent. Approximate-ly F1 50bn (\$25bn) in market

After rising 4 per cent in early

trade, the Paris main indicator eased in mid-session only to pick up again towards the close on Wall Street's opening, end-ing the day 1.39 per cent higher. The narrower CAC index closed down 1.5 at 318.9. Since the October 19 black Monday, the index has fallen by 12.5 per cent.

Showing the resilience of German experiers in the face of the stronger D-Mark, September's trade figures produced a surplus of DM11.55m (See Mark). geot, which traded up to

BP restrains London's rally

ENCOURAGED by rises in Tokyo and Hong Kong and a late rally on Wall Street's bright opening, Paris sustained a tenit reached FFT377 at one stage yesterday. Of the privatised groups

capitalisation has been los

leaving the total at around Fl

ased European Options Ex-

One of Amsterdam's largest hockmon (jobbing) firms, Melle-gers and van den Elsaker, halt-ed business last week after

credit was stopped by the bank which serves jobbers, Kas Asso-

Six other jobbing firms were

meet lending criteria.

Saint-Gobain also showed a 2 per cent gain, closing FF19 higher at FF1424.
Trading was busy, but dealers said volume had dropped from last week. Advances outnum-bered falls by 125 to 64. The bond market, which has

followed the generally strong trend in other markets, appears to have entered a consolidation phase, losing about one full point a day in the last two sessions after last week's advances. However, dealers said bond market sentiment re-

are in any mood to return to the bull tack.

The market is more attract

tive now on its dividend yield of 4.2 per cent than it was on the 3

per cent yields offered just be-fore the downturn, commented Mr John Goldschmidt of Chase

Annhattan, But it's still too ear-

ing prospects."

London fund managers re-

main uncertain whether favour-able domestic factors will prove

strong enough to sustain the UK market in the face of the set-back across the global market-

place - especially if Wall Street

Confidence in the UK economy remains relatively steady,

is signalling recession

nent of earn-

y for a reass

Roller-coaster brakes in calmer Hong Kong

HONG KONG

DEALERS in Hong Kong braced themselves for a roller-coaster day yesterday after the Hang Seng index crashed 260 points to 1,980 in the first 15 minutes of

to 1,980 in the first 15 minutes of trade yesterday, writes David Dodwell in Hong Kong.

But pricas steadled as support operations mounted by banks, the Government and the private sector began to take effect, and the index closed with a net gain of 154, or nearly 7 percent, at 2,335.

The improvement, coming after Monday's 23 per cent plunge.

ter Monday's 33 per cent plunge, followed moves by big institutions - including Mr Li Kashing's corporate empire and big banks like the Hongkong Bank - to mop up blue chips and to

to mop up blue chips and to steady prices.

Also buoying confidence was news that Peking was backing government efforts to support the futures exchange. The Bank of China agreed to join the Hongkong Bank and Standard Chartered Bank in contributing HK\$330m (US\$42m) to a new BK\$1bn contingency fund.

Most blue chips ended with gains of between 5 and 10 per cent in substantial trade of BK\$3.57bn for the day. One of the most striking recoveries

the most striking recoveries



Hong Kong traders crowd around the market indicates shone, which had fallen by 38 kets are being forced to sell into any signs of strength on the mar-

per cent since returning from a suspension linked to prepara-tions for a merger with Cable and Wireless (Hong Kong). Tele-phone's shares rallied 21 per Similarly, institutions which have until recently been over-weight on the Hong Kong mar-ket have sold steadily as they cent with a rise of HK\$2.20 to HK\$12.50. reduce weightings closer to the 1 per cent which reflects Hong Kong's true share of world stock Trading remained focused on blue chips and among second liners, where there has been lit-tle trading to test true values, nominal falls still stretch to 50 market capitalisation.
There was also the fear that

some buyers might not be able to bonour cheques. A number of

international brokers have admitted to having a watch list of potentially troubled brokers with whom they are currently

Wave of buying propels Nikkei into sharp rebound

per cent and beyond.

A number of factors kept buyers cautious. First there was an

awareness that many interna-tional fund managers facing re-

THE TOKYO STOCK MARKET rebounded in style, swinging dramatically from its third-sharpest fall on Monday to a third-largest single day advance yesterday, writes Corio Rupoport

on Tokyo.

The Nikkei stock average climbed 632.4 to 22,834.96 on an active volume of over lbn shares. Most of the buying was by investment trusts and leading stock brokers, with some large financial institutions joining in later in the day. Investors took heart from Bank of Japan Governor Satoshi

Sumita who said he expects the sumita who said he expects the world stock markets to regain their stability soon as the US is now determined to reduce its federal budget deficit.

Mr Sumita told a meeting of the bank's regional managers that the Japanese economy is that the Japanese economy is

firmly on the path to recovery and is expected to expand fur-ther, bolstered by additional fiscal policy measures. There was also optimism from Finance Minister Klichi Miyazawa who said he believes stock prices are nearing stability. He

also told a press conference af-ter a regular Cabinet meeting that he does not see falls in stock prices having a negative effect on currencies.

pace. High technology stocks advanced over a wide front. Hitachi shot up Y110 to Y1.190.

NEC soared Y140 to Y1.900 and Matsushita Electric Industrial climbed Y150 to Y2.050.

THE SHOCK free-fall in Hon

Large-capitals also attracted buying interest. Nippon Steel returned to the top of the most active with 100.28m shares changing hand and gained Y17 to Y452. Kawasaki Steel advanced Y18 to Y358, while Mitchight House Understant with the control of the policy of the pol subishi Heavy Industries, which had plunged on Monday, climbed Y27 to Y625.

Securities houses turned up, with Nomura closing Y110 higher at Y3,560, Daiwa Y200 up at Y2,400 and Yamaichi Y120 up

at Y1,750.
On the bond market, dealers bought on expectations that funds would shift from stocks to bonds after the stock plunges in New York and London. The yield on the 5.1 per cent Government bond, due in June 1996, fell to 4.990 per cent, compared with Monday's 5.240 per cent, slipping below 5 per cent for the first time in about a month. But profit-taking and the stock raily profit-taking and the stock rally pushed down prices later in the session and the yield on the benchmark bond finished at 5.330 per cent.
The Osaka Securities Exchange opened lower, but turn-

THE SHOCK of Monday's free-fall in Hong Konz hung over the trading floor in Sydney over the trading floor in Sydney and Monday's decline gathered pace. The All Ordinaries alumped 987 to 1.315.3 or 7 per cent after a 6.7 plunge on Monday. The index has dropped 29 per cent over the past seven trading days.

A firmer bullion price failed to inspire demand for mining stocks as falls of A\$1.20 took Australian Consolidated Minerals to A\$3.20, Gold Mines of Kal-

als to A\$3.20, Gold Mines of Kal-goorlie to A\$5.0. Kidston to A\$4.0 and Sons of Gwalia to

ASS.0 Elsewhere. BHP was down 10 cents to A\$7.30 from an early low of A\$6.60 as CSR slipped 20 cents to A\$3.05.

SINGAPORE

AFTER A shaky opening prices turned upwards following better performances in Hong Kong and Tokyo as selective bargain-hunting lifted prices off their lows. A power failure at the stock exchange prices on their lows. A power failure at the stock exchange delayed details of the market position at the close.

Selling by foreign fund managers undermined attempts to stage a late raily but local investors picked up blue charge. change opened lower, but turneter a regular Cabinet meeting that he does not see falls in stock prices having a negative effect on currencies.

Shortly after these statements, investment trusts began placing small-lot buy orders and the weak opening turned into a rally, adds Shigeo Nishibitudinto a rally adds Shigeo Nishibitudinto a rally, adds Shigeo Nishibitudinto a rally adds Shigeo Nishibi stage a rate rany but rocal investors picked up blue chips.
Singapore Arrlines gained 20 cents to close at \$\$9.20. DBS rose 25 cents to \$\$9.55 but Ro-

Sri Lanka stocks escape storm

Zurich makes lonely progress

market had reached an all-time months to reach more than A SOLID revival in Swiss shares proved the exception across the remainder of Eu-The two major success stories of the last five years of upparalrope, with most bourses slip-Analysts stressed the knock-led austerity have been the on effect from Wall Street, but jump in non-oil exports, mainly ing further or clinging to ping tarther their ground. ZURICH rebounded strongly from Monday's dramatic falls

in moderate turnover, taking the all-share index 34.4 higher to 896,2. The bourse waived rules which otherwise led to a share's suspension for price changes exceeding 10 per cent. Financial service group Adia duly profited with a 14 per cent rise of SFr900 to SFr6,909. Ascom was close be-hind with a SFr500 jump to SFr5,300. Insurers sprang

Frods made headway, with Nestle up SFr300 to SFr8,700 and Jacobs Suchard SFr450 higher at SFr7,800. Engineers

The Key Market Monitors have been dropped from today's edition to accommodate expanded coverage of market move around the world. Market indi-ces, lists of the most active stocksand London's chief price changes can be found on Page

of selected blue chips and the cash index fell another 93.72 to 4,224.21. Chemical Solvay bounced BFr500 higher to BFr1L475 and Unerg picked up BFr90 to BFr2,750 in solid utilities. Chemicals and metals were generally easier.

In holdings, Cobepa rose BFrse against the sector frend MADRID was swept lower by a deluge of selling inspired in part by Monday's decision by bourse authorities to raise to

Utilities alone managed gains. Petrofina said it was likely to postpone its rights is-sue and slipped 3 percentage points to 146 per cent of nomi-nal market value. MILAN fell to a year's low,

although a late rally pared ear-ly losses. The MIB index ipped 0.52 per cent to 767. Montedison fell L92 to 1,748 and Fiat dipped L105 to L3,795. Bonetton continued to plunge, losing L350 to L13,000. STOCKHOLM firmed mar-STOCKHOLM in traced marginally, catching a lift from rising London share prices and ignoring a gloomy economic prognosis from the Foreningsbankernas. The Veckans Affarer all-share index inched 0.1 per cent higher to 1.005.5.

OSLO ended mixed in cir-

SRI LANKA'S small and emerging the international turmoil, Sri ing stock market has been pro- Lankan investors have not only

moil and relatively cushioned because of still limited share co Company, Chemical Industries and Asian Cotton Mills ownership.

(\$100,000).

Lankan investors have not only tected from the ravaging storms had their hands tied, but have sweeping larger international also been unsure of what to do.

Every de Silbert most of last week price held steady and it was not until the steady and it was For most of last week prices Out on a limb from the global friday that they slipped. The hustle and bustle, it has been preoccupied with domestic turnies lost ground. Ceylon Tobac-

posted the largest declines, but still new to the shares game.
The Colombo stock exchange was revived only three colombo stock exchange was revived as the colo was revived only three years ago after almost 20 years of virtual inactivity and volume is still low, with daily turnover rarely exceeding Rs3m (\$100,000).

The political instability caused by the Tamil separatist insurgency, together with a shortage of companies and share issues, have kept the market insuration. The dankerners of the contraction of the contraction of the contraction of the contraction. ket inactive. The deployment of

Also, under the watchful eye Indian peace-keeping troops in of the securities commission, the Tamil stronghold of Jaffna set up by Finance Minister Ronnie de Mel, a bolt in either an stabilising influence on prices

had a profound effect on the economic outlook. "Everything depends," said Mr de Mel, addressing the annual chamber of commerce conference of the commerce of t commerce conference, on how quickly and effectively we control the violence in the north."

The Government, under pres-The Government, under pres-sure from the World Bank and the US, a major donor, is com-mitted to a policy of privatisa-tion, but it is being cautious in order to avoid trade union ac-tion. A privatisation unit cre-ated by the Ministry of Finance and Planning is now students ated by the Ministry of Finance and Planning, is now studying 'sick' state-owned enterprises on a case-by-case basis, primarily selecting those ventures which have been a burden on the budget

The violence in the north has

Three enterprises are to be privatised by mid-November: the distilleries corporation, the Ceylon Oxygen Corner.

some pointed out that the exchange had been heading for a growth of the stock market - pre-major correction after the fe-cisely the achievements which verish speculation of recent now appear threatened.

high of 387,000 on October 5, a

rise of over 700 per cent on the

The key gold index slipped 53 lower to close at 1,849, a 2 per

DESPITE cautious attempts at a recovery inspired by rebounds in London and Far Eastern stock markets. Johannesburg poration fell 50 cents to R71 and share prices fell back slightly. Gold Fields of South Africa dipped R1.50 to R74.50.

cent drop.

Among golds, Driefontein change said its reduced trading edged down R4 to R74, while in hours of 7:30 am GMT to 13:00



sional market makers lay in wait and the rising tide soon ebbed as they took the opportunity the market saw the flist serious buyers after six trading days of falling prices. But the profeshallong prices but the profeshallong

and was buttressed yesterday by a survey of members of the Confederation of British Indus-try, which said, "The underlying health of the (UK) economy re-Kong market and with Wall Street in good form in early deling the FT-SE 100 Index closed a net 19.2 higher at 1703.3 - still about 28 per cent down

.

SECTION III

FINANCIAL TIMES



An uncertain mood is developing in West Germany. The country is less sure about its post-war achievements

and whether it can still prosper in a more competitive world. Doubts have risen about the Government's ability to tackle these tensions. David Marsh reports

A lack of composure

The statistic, much regarded it, its political voice internationally is undoubtedly stronger ers of battle tanks, goes beyond mere topography. In social, political and economic terms, the West German landscape is becoming increasingly undulating employeers. Characteristically, it is in two minds, looking both

2-10-40

mod

Cherry Ceremon

WEST GERMANY may be western Europe's largest industrialised economy but it remains cars, chemicals and engineeracountry of hillsides and woods.

This applies both to the big export-oriented corporations in cars, chemicals and engineering and to the many dynamic small and medium companies. Across 80 per cent of the territory of the Federal Republic,
the view is limited to less than
1,000 metres.
The statistic, much regarded
by military strategists and maktionally is undoubtedly stronger

it is in two minds, looking both

and obscure.

In many ways, the Federal Republic has a justifiable model image, but doubts are rising that, unless the West Germans show more willingness to adapt to the challenges of a changing world, the model may not be durable.

It is in two minos, moving two mays at once.

The country is unsure about the fundamental value of its fundamenta

world, the model may not be durable.

The country has risen from the post-war ruins to become one of the most prosperous and smoothly-run of nations.

The federal system allows a degree of electoral participation in political affairs which would be unthinkable in the bidler, centralised democracies.

West German industry has abown impressive ability propersively to internationalise its business and ride out fluctuations in the dollar/D-Mark rate.

more compensative cavance in the may in functional least some of them may in function to tackle the country's coalition to tackle the country's difficulties.

The criticisms apply especially to the Government's inability processively to internationalise of the chimerical debate about the adjustices as to the most project and coal three country's coalition to tackle the country's difficulties.

The criticisms apply especially to the Government's inability processively in internationalise of the chimerical debate about the adjustices as to the chimerical debate about the adjustices as to the dominant expression of 1987, applied as to cut subsidies in areas facing to the dominant expression of 1987, applied as the world of 1986, then surely the dominant expression of 1987, applied as the criticisms apply especially to the Government's inability procession of 1987, applied as the world of 1986, then surely the dominant expression of 1987, applied as the world of 1986, then surely the dominant expression of 1987, applied as the world of 1986, then surely the dominant expression of 1987, applied as the world of 1986, then surely the dominant expression of 1987, applied as the world of 1986, then surely the domi



West Germany

pressures on the pension sys-tem caused by the declining birth rate to the ecological cou-

The West German socio-eco-

the caused by the declining birth rate to the ecological consequences of industrialisation, are coming to the fore.

The business and financial community, natural supporters of conservative governments, has been expressing increasing doubts about the ability of chancellor Kohl's centre-kight coalition to tackle the country's difficulties.

The criticisms apply especially to the Government's inability to the Government's in

ing reminded that life for them about whether the agreement is slightly more fraught with might end up weakening rather anxieties, slightly less easy and self-assured, than for other peoples in western Europe.

Two examples illustrate this.

The new thawing between the conditions the Schleswig Hol-

Two examples illustrate this.
The new thawing between the superpowers, likely to be consummated this autumn with an accord to eliminate medium-range nuclear missiles, is not just providing an opportunity for celebration in West Germany

cline in the dollar which hit exporters last year. This is one of the reasons for this year's ebbing of capital investment spending - which is itself a key factor behind the country's currently disappointing economic performance.

Because of the uncomfortable facts of history and geography, west Germans are for ever be-

than botstering west German security.

The other example comes from the sad spectacle surrounding the Schleswig Holstein 'dirty tricks' scandal. Unprecedented in the 38 year existence of the Federal Resulting the security of the mysterial security. public, the affair led to the mys-terious death earlier this month of Mr Uwe Barschel, the former Schleswig Holstein state pre-

Because of the heritage of Na-sism, West Germans have tand-ed to judge their politicians by higher standards of morality than in other European coun-tries. Trust in politicians has now been progressively eroded. The most visible sign of de-tents across the East-West di-

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vide has been the flood of vis-tors from East Germany trooping across on temporary trips to the West during the last 12 months.

The most notable was Mr Er-ich Honecker, the East German

Ich Honecker, the East German leader, whose five-day journey last month has opened a new era in the tortured inter-German relationship.

On one level, the travellers from the East discover a land which amounts to a mammoth national department store crammed with shiny cars, modern buildings and video games the dittering wares of capitalthe glittering wares of capital-

On the other hand, in spite of five years of gradual economic

upturn, unemployment remains solidly stuck at well above 2m.
The deterioration in the unemployment rate compared with both the first and the second oil shocks is bigger than in most other countries. And the current longer term economic growth rate of around 2 per cent is now firmly below the OECD

average.

Mr Kohl, confirmed in office for another four years in last January's elections, albeit with a sharply lower majority, has little to worry about, at least for the moment, from the Opposi-tion Social Democratic Party

(SPD).
Although showing fresh zest under its new chairman, Mr Hans-Jochen Vogel, the SPD still has some way to go to reform itself sufficiently to be a serious alternative to the Christian Demogratic Union (CDI)

serious atternative to the Chilb.

Because of the elimination, either by accident or design, of rivals within his party, Mr Kohl has no real challenger as Chanpellor and CDU chairmas.

Otherwise, Mr Kohl's short-comings have been cruelly ex-posed this year. His emphasis on mastering the tactical side of politics has started to hint at a fundamental lack of political vi-

Tensions over the economy, defence and law and order have risen particularly between the Free Democrats and Mr Franz Josef Strauss's Christian Social Union. But they have also involved the Christian Democrats, themselves split between factions of the Right and Left.

The coalition has, it is true, at last reached agreement on financing the DM 39bn tax reform package for 1990 conceived as a major plank in its overall strategy for growth. Cutting taxes and stimulating the economy represent part of West Germany's international obligations to reduce its current account surplus and take the strain off the dollar.

Mr Gerhard Stoltenberg the Finance Minister, still faces a battle with the Bundesrat (federal council), representing the The coalition bas, it is true, at

battle with the Bundesrat (federal council), representing the Laender, to secure passage of the 1990 tax cuts.

As chairman of the Schleswig Holstein Christian Democrats, Mr Stoltenberg is, however, also deeply involved in the northern state's tortured politics. He had to fly back early from the IMF meeting last month to try to resolve the Barschel crisis.

West Germany faces a further

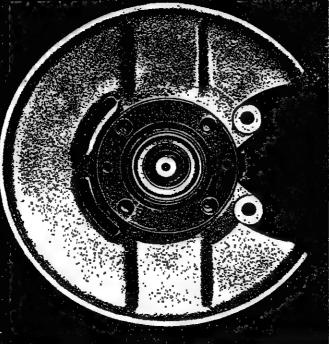
solve the Barschel crisis.

West Germany faces a further
test of international responsibility in the first six months of
1988 when it takes over the EC
presidency. On present form,
the chances that Bonn will be
able to show much-needed European leadership do not appear high.

Changing the shape of bearing technology.



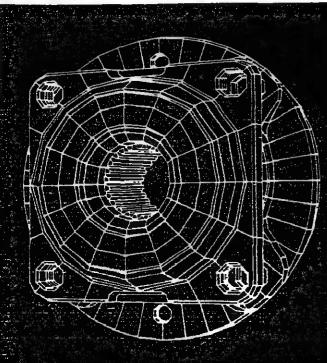
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WEST GERMANY 2

THE WEST German economic engine is chugging up a gradi-ent. It is still developing a powerful head of steam, the seats are as well-upholstered as ever and the passengers on the whole are enjoying the ride. But the train has slipped behind timetable and doubts are growing whether it will reach its long-term destination with-out some form of derailment.

After three post-war decades Average annual change in which the West German economy was hailed as a model for the rest of the world, the coun try's image as an economic paradigm has, quite suddenly, dur-ing the last year or so started to

The economy has slowed down this year after four years of moderate expansion, with growth for the second year running likely to fall short of target. Gross nation product in real terms is likely to rise by only about 1.5 per cent this year, well short of the 2.5 per cent forecast by the Government in January.

At the same time, the emphasis of economic policy-making has shifted away from future opportunities for expansion to talk of long-term growth imped-iments. These range from the country's falling population and predictions of growing budget-ary and social security deficits to West Germany's strict envi-ronmental controls and heavily-regulated goods and labou

External shocks arising from further collapse in the dollar still cannot be ruled out. But Bonn forecasts that growth next vear will continue at around a 2 to 2.5 per cent rate. After the bitter memories of the 1981-82 recession, it claims that at least the era of "stop and go" has now been overcome

But this does not dampen con-cern that the Federal Republic fast enough growth to make a permanent dent in unemployment, now stuck around 2.2m, and erode its huge current account surplus.

The surplus this year may de cline by only around DM10bn or so from the 1986 level of and the rise in the D-Mark, and DM80bn - and remains, along is likely to amount to only with, of course, its numerically-higher counterparts in the US

The economy seems to have

Senior officials both in Bonn and at the constitutionally-inde- in August. pendent Bundesbank are keenly aware, and disappointed, that background last year was com-the country has failen well pounded by further improve-short of the "magic quadrangle" ment in corporate finances, rel-

ment, current account equilibrium and low inflation.

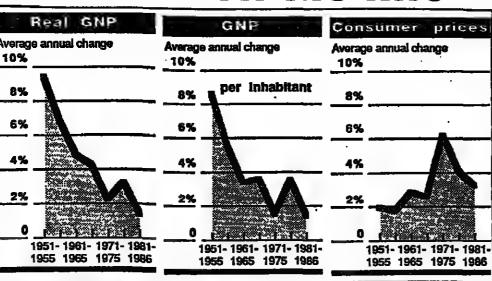
The only indicator performing satisfactorily is the rate of price increases. This turned negative last year for the first would work through to improvent ment of the first would work through to improvent ment of the fall in the oil price.

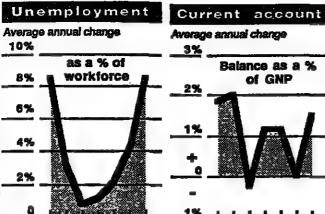
The only indicator performing the per cent appeared within reach.

But hopes were dashed that the favourable conditions will probably grow by no more than 2 per cent. And weak interest in the oil price investment climate. The 2.5 per blamed by the Organisation for

Why the economy is making slower progress

Trouble on the line





with, of course, its numerically-higher counterparts in the US and Japan, one of the factors storing up potential currency instability for the future.

Senior official bath. manufacturing industry showing a large and welcome spurt

The propitious low inflation short of the "magic quadrangle" ment in corporate finances, relof targets set down in the 1962 ative restraint on the wages
Stability and Growth Law steady growth, low unemployment, current account equilibrium and low inflation.

The only indicator perform—

The only indicator perform in the indicator performance perform in the indicator performance perform in the indicato

1951- 1961- 1971- 1981-1955 1965 1975 1986 1951- 1961- 1971- 1981-1955 1965 1975 1986

> The Bundesbank has maintained a far more optimistic line on the economy than many casters over the past year or so. But senior officials at the central bank now confess themselves at a loss to understand why the level investment this year has fallen so short of forecasts at the end of last year.
>
> Ornell investment year,

cent actually recorded for 1986 was a disappointment. And now, only 18 months after the growth optimism of spring 1986, the outlook appears a lot more

the rapid weakening of import prices. The seasonally adjusted trade surplus over the past five quarters up to June this year fluctuated narrowly between DM28bn and DM31bn a quarter.

The main impact on the do-mestic economy this year has been a workening of confidence as a result of last year's setback in exports; stemming from the D-Mark's appreciation. This is despite exporters' shift to live despite exporters' ability to live fairly well with the current exchange rate pattern. Last year's stagnation in ex-

ports seems to have been due as much to a fall in sales to Opec states as to any sizeable loss of German competitiveness. But in recent months, export orders received by West German manufacturing industry have been recovering Indeed, from the point of view of efforts to reince the current account sur plus, they have shown a worryingly stronger trend domestic orders.

Both monetary and budgetary policies are giving, if anything, a modest stimulus to the econo-my at the moment. The Bundesmy at the moment. The Bundes-bank's money stock growth tar-get this year will be overshot again in 1987 for the second year running. The overall pub-lic sector budget deficit (cen-tral, regional and local govern-ment) looks likely to grow by about DM10bn this year from last year's DM43bn. velopment (OECD) as an impor-tant factor behind West Ger-many's persistently large current account surpluses as well as its high unemployment. The OECD has also been in The OECD has also been in the vanguard of critics urging the Government to make more efforts to cut subsidies and der-egulate the economy, in order to improve medium-term growth

But these examples of over-shooting have reflected conse-quences of alugish economic growth - on the monetary side, investors' desire for liquidity, in the budget, stagnating tax revenues - rather than policy action to correct it. action to correct it.

Private consumption is still holding up well and remains the prime motor of expansion, but is likely to expand by only 3 per cent this year, compared with 4 per cent last year.

tently point out, in a heavily ex-port-oriented economy where foreign sales account for about

one-third of GNP, it is highly difficult to organise a cut in ex-port surpluses without this feeding through negatively to

justment has clearly taken place. In real terms, the trade surplus has been declining gradually since mid-1985. Im-

port volumes have grown fast both this year and last They were up by nearly 6 per cent during the summer compared with the same period of 1986.

Exports, on the other hand, have been stagnating in real

But in nominal terms - the balance which the foreign ex-change markets have to finance - the surplus has been little changed because of the effect of

the entire economy.

The Government earlier this month showed at long last signs of policy cohesion. It agreed of policy cohesion. It agreed surprisingly rapidly a package of cuts in tax allowances needed to accompany the tax reform plans of Mr Gerhard Stoltenberg, the Finance Minister, planned to be enacted in 1990. Following an earlier-planned DMI4but ax cut in 1988, the Author Paris of the Paris the net DM20bn worth of cuts in 1990 should give the economy a necessary push in the direction

will lead, at least temporarily, to higher public sector borrow-ing. Mr Stoltenberg appears to have succeeded for the moment nave succeeded for the moment in quelling opposition among the Laender to higher deficits in coming years. But the last word has not yet been spoken on the overall financing of the tax reform. The Government may still have on constitute increasing taxes on consumers to help balance its books in 1990.

Relations with the European Community

Change in the wind

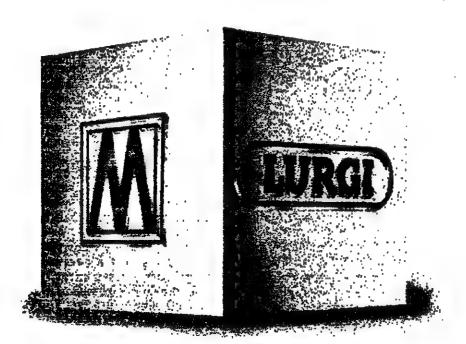
MR HANS-DIETRICH Gensch-er, the veteran West German Foreign Minister, has been multiplying calls for greater policy cohesiveness in the European Community over the last few

The reason is both simple and complicated. West Germany, on the front-line along the East-West geo-political divide, stands directly downwind from the new breezes of co-operation and harmony wafting across from Mr Mikhail Gorbachev's Soviet Union.

At the same time, in a remark-able ebbing of 30 years of West German enthusiasm for the

Community cause, the Federal Republic is going through a pe-riod of disillusionment with the





SIGNS OF THE TIMES IN NATURAL RESOURCES

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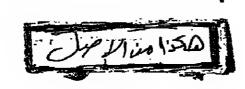
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A year of rapid change for the banks

IT HAS been an innovative year for West Germany's banks. While foreign financial institu-tions have continued to pour inundisputed infancial capital, in order to participate in the wholesale money and securities markets, the domestic banking scene has also been changing

rapidly. Earlier this month, it changes more rapidly than many expec-ted, or liked.The Federal Government's announcement that it would impose a 10 per cent withholding tax on savings and investments from 1989, a shock which is still being digested. The events have come at a time when many haves are arranging when many banks are grappling with the idea of lower profits for 1987 compared with their records last year due to the lacklustra stock market and, in places, weaker credit demand. However, the outlook for profits is now a good deal less bleak than it seemed earlier this year. Earnings will almost certainly be down, but the decline is likely to be less sharp than first forecast. Now there is a hint of uncertainty about profits after 1989, as banks costs are likely to

been in the top job.

Judging by the fierce way he raps his fingers on the table to emphasise a particularly impor-

tant point, Mr Roeller may well stimulate less generous com-

のななない 大大学

the tax and some commission earnings may also be under

Deutsche Bank, the country's to Frankfurt, now the country's biggest financial institution, undisputed financial capital in has been the most active innohas been the most active innovator this year, confounding those who still wrongly view it as an ultra-conservative and slow-moving giant.

In March, it set up a new mortgage savings subsidiary for gest bank - from the country's house-buyers. Getting into the trade union movement. small savings business and of-fering eventual property pur-chasers certain financial perks

third main business activity alongside commercial and in-vestment banking.

uncertainty about profits after
1989, as banks costs are likely to
go up somewhat, as a result of ing for sophisticated advice, he

More of the bank's small busiexecutive of the A&M, is understandably confident. There
ing for sophisticated advice, he
imust be music in it," he says.

But this year's most novel financial development, foreshadowed in 1986, has come not from a savings banks are grouped and, but from the Aachener together in 11 Landesbanken, als, some financial services und Muenchener (A&M), Germany's fifth largest insurance company. In January, the group bought a DM1.9bn controlling stake in the Bank fuer Gemain—wirtschaft - Germany's 12th biggest bank - from the country's avings organisations and state governments.

Other banks ripe for change, vestment banks which have been colonising Germany's is too early to tell.

Important news for domestic investors this year was the creation on May 1 of the 'geregelte divestors this year was the creation on the 'germany's new second the 'ger

The deal was followed by a DMI.34bn rights issue by the A&M in March - in Itself one of the largest capital-raising exerwere widely seen as an important expansion of the bank's interests in retail financial services.

Then in August, the bank surprised many by buying a controlling stake in Roland Berger & Partner, the country's leading home-grown management consultancy group.

According to Mr Alfred Herrhausen, Deutsche Bank's cospeaker (chief executive), consultancy will become the bank's at the first details of the companies' joint plans should be out

nies' joint plans should be out before the end of the year. At least Mr Helmut Gies, the chief

deutsche Landesbank, which is ment hanking and the domestic Germany's third biggest bank, securities business. that corporate clients require.

Discussions about mergers
between smaller Landesbanker are nothing new, however, and so far there has been more talk

are power-houses in their own right. But smaller counterparts can no longer provide the full range of international services rules this year. The notification period for new DM Eurobonds has been cut to 48 hours from the 14 days required previously an interval that used to play havoc with bond issues driven

Badische Kommunale Landesbank, admit they have already held merger talks, but nothing definite has been decided.

Mention Frankfurt and the securities markets, and the focus often switches to the foreign in-

their shares from

Much further down the line is Goffex, the planned German Op-tions and Financial Futures Exchange, which bankers hope will open in early 1939. The tim-ing depends very much on Ger-many's politicians, however, who must approve essential leg-islative changes for futures and so far there has been more talk havor with bond issues driven than action. A merger in Baden by currency swaps. These often islative changes for futures and options to get off the ground. But the focus is very much on Bonn for more pressing legislative changes for futures and options to get off the ground. But the focus is very much on Bonn for more pressing legislative changes. The abolition of the Boersenumsatzatener, Gerlandesbank Stuttgart and the Badische Kommunale Landesbank finally related the drawnale terms of the Boersenumsatzatener, Gerlandesbank admit they have already are part of the ground state of the ground state of the ground.

But the focus is very much on Bonn for more pressing legislative changes for futures and options to get off the ground.

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But the focus is very much on Bonn for more pressing legislative changes for futures and options to get off the ground.

But the focus is very much on Bonn for more pressing legislative changes. The abolition of the ground state of the ground.

But the focus is very much on Bonn for more pressing legislative changes for futures and options to get off the ground.

sociation, means Mr Roeller has been playing a major role in

been playing a major role in the lobbying for Goffex - the planned German Options and Financial Futures Exchange. -which the big banks want to set up by early 1969. Mr Roeller sees futures and options as "an essential part of our Stock Exchange reform." Unlike some financial innova-tions, "the options business re-ally has got a future." he says.

tions, "the options business re-ally has got a future," he says. he Roeller is confident Ger-many will get its new exchange, even if passing the necessary legislation takes a little longer than some would like. "We now have two-three years before us to deal with these questions," he

Understandably he is reluction to coorder now the banks might react if the discussions about Goffex get bogged down. But a farther druit of securities trading - which is already encouraged to go abroad because of Germany's stock exchange turnover tax and which may do so more quickly because of the planned withholding tax-looks strongly on the cards. It is looks strongly on the cards. It is one of Mr Roeller's jobs to try and encourage the business to

Profile: Wolfgang Kartte

The watchdog

wolf-GANG KARTIE, the vel-eran president of the Federal Cartel Office, has his headquar-ters, somewhat appropriately, in the battered-looking Berlin building which formerly housed the Air Transport Ministry of the Third Reich.

A burly jovial 60 year old, Mr Kartte is in charge of policing West Germany's anti-trust laws which represent a cornerstone of the country's post-war market-oriented economic system. A strengthened trend towards

concentration in industry in recent years has put him constantly on his guard against atmospheric turbulence. Kartte is currently at the cen-

the of controversy whether the Government should push through a further stiffening of the 1957 Competition Law. This could involve steps to limit concentration in the retail sector where a number of big mergers have recently taken place - as well as to restrain large merg-ers of the type which has joined together Daimler Benz, AEG

The government is divided over whether the law needs to be changed, with Christian Democrats calling for a revision to protect above all small retail-ers and the Free Democrats insisting that the status quo be

Kartte is keeping a low pro file on the matter as long as the coalition has not made up his mind. But he says he sees "problem spots" in the current antitrust legislation.

These include not only the re-tail sector but also the question of "banks and their power." Here there are three key points,

West Germany's universal bank system gives the banks substantial industrial partici-pations, enables them to send directors to sit on the supervisory boards of competing compa-nies and allows them to represent large numbers of shareholders through proxy vot-

"I don't say that the banks are not in competition. I simply say that we need to keep a watchful eye on these features which give the banks special influ-ence, if not power." He adds, in ence, if not power. He adds, in a deliberate understatement, that the problem has been ac-centinated by changes in the competitive position among banks themselves - meaning that the dominant Deutsche Bank is breaking still further

away from the other Big Three.

ing rights at annual meetings.



Overall, Kartte says the process of concentration in the Federal Republic has reflected the growth and progressive in-ternationalisation of compa-nies' markets. This has brought more advantages than draw-

The competitive stimulus which we have received as a re-sult of opening of markets is more important than the re-strictions on competitiveness arising from mergers."

But he points out that the growing size of companies could open the way for misuse of corporate power. "We don't know who is governing whom-

the company the government, or the government the company." "Elephant marriages" are plainly a cause for concern. Daimler Benz and AEG - that was of course very spectacu-lar....If there are further cases like that, I could imagine that conflicts of interest would come about. He adds, 'You can have doubts about whether such large companies are really needed. Our machine tools sec-

tor is very competitive, and made up of smaller companies."
On the idea being pressed by the Bonn government for Daim-ler to take over control of the MBB aerospace company, Kartte says, on plain economic grounds, that that the proposal is ill-conceived. It surely can-not be that we are so idiotic as too big a bite even for Daimler, he says - pointing out that Wer-ner Breitschwerdt, the former chairman of Daimler who has just been removed, said it would take the company 20 years just to absorb AEG.

David Momb

Profile: Wolfgang Roeller

Bull terrier in business

ments too. Few would probably are currently topical at home, want to get on the wrong side of like stock exchange reform and the proposed new German fo-

one colleague. It is meant en-tirely as a compliment. After the assassination of Mr Juergen Ponto, its young chief executive in 1977 and the forced resigna-tion of Mr Hans Friderichs from needed a dynamo to regenerate morale and close the widening gap with the Deutsche Bunk, Germany's biggest financial in-

"PUGNACIOUS," "combative" and "tough" are just three of the words that have been used to describe Mr Wolfgang Roeller, the 58-year-old speaker (chief executive) of Dreadner, West Germany's second biggest bank, in the almost three years he has been in the ton ich. stitution. Few now doubt that it got it in Mr Roeller. The fact that earlier this year he also took over the presidency of the Federal Association of German Banks - effectively making him a spokesman for the German private banking industry as a whole - is a further reflection of the corridor the reflection of his considerable

But the new job may not be entirely disagreeable to Mr Roeller. Certain subjects which

tures and options exchange, are right up his street as an experi-enced securities man. And Ger-many's proposed new withholdmany's proposed new withholding tax on savings and investments, unexpectedly announced earlier this month, may well leave him fuming. Such pre-occupations are apprioriate at Dresdner Bank, which here a long reportation or a

prioriate at Dresdner Bank, which has a long reputation as a skilled trader of securities and money market instruments.

So it is little wonder that the securities side features prominently in Mr Roeller's plans for the bank. Unlike Deutsche Bank, Dresdner has shown no special ambitions to become a pan-European commercial bank nor to develop a high-flying management and financial consultancy side. Bather, its main thrust around the world at present, appears to be in securipresent, appears to be in securities, notably in the US.

ABD Securities Corporation,

ation, is particularly close to Mr Boeller's heart. "German American Securities Corporation (ABD's predecessor) was set up in 1968 long before international securities trading became such a talking point everwhere," he says with obvious pride.

"And Theo Schmidt-Scheuber the president of ABD was the first foreign banker to be made president of a US bourse -in Boston. Think what that meant for us," he adds. "Imagine the Frankfurt Stock Exchange chosters of the stock o ing a foreign banker to be its

In the Far East, Dreedner is already licensed to trade secu-rities in Tokyo. The first results are already positive in terms of the bottom line, says Mr Roeller. The bank is also attacking the Tokyo market through ABD International, the overseas portfolio management arm of its

Mr Roeller emphasises the

pan to help recycle its balance of payments surpluses back into European securities. But even the Tokyo market - much in the news in Germany recently after the last German bank waiting the last German bank waiting for a securities licence received it in September - seems to take second place to the US for Mr. Roeller, and particularly to the Big Board price of the New York Stock Exchange.

He is giving nothing away but developing the bank's New York presence particularly in equities, could spell some difficulties with the Fed on account of the tattered but still valid Glass-Steagall Act

lass-Steagall Act "Dresdner is aware of the bar-

"Dreadner is aware of the barriers, but solutions may eventually become possible," he says.
Whether that will be through
changes in US law or innovative
thinking by the bank is not
spelled out.
Meanwhile his position as a
spokesman for German flowers,
through the domestic hanks as-

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Andrew Fisher contrasts the fortunes of two industrial towns

GERMAN INDUSTRY is located in the most unlikely

As the accompanying town profiles show, the north-south gap, which is far less marked and less socially debilitating

than in Britain, can occasion-ally be stood on its head. Though it is true that the north contains the problem in-dustries like steel and shipdustries like steel and ship-building, while the south has a large share of high-technology businesses, German industry is so regionally diversified that there is no shortage of ex-amples to counter the cliche. Generally, this is a strength, with jobs and investment wide-ly distributed throughout the country. The big car plants, for instance, are suread around

instance, are spread around the north, centre and south from Wolfsburg, the character-

of regional states, some very less Volkswagen town near the East German border, down to Munich, the lively capital of Bavaria in the south, where

The small and medium-shed businesses, often family-owned, which are so crucial to the economy can be found all over Germany. Many are world leaders in their sectors, with an innovative spirit and repu-tation for quality which is strengty anchored to their lo-cal traditions.

Thus the north-south gap is not always apparent. The choice of prosperous Gueter-sleh in the north and crisis-hit Sulphach-Rosenberg in the takes a good three hours of au-tobahn driving.

y somewhat artificial. Still, it does show that the south has its black spots and that the north is not all smoking chimneys and threatened lebs.

Guetersleh is actually one of the few towns of its size in Ger-many which has been growing. Sulchaels-Rosenberg's popula-tion, on the other hand, has been falling and is likely to dwindle further. The jubless rate in the latter town is well over double that of Gueterslob.

The decentralised pattern of German industry reflects both its recent and remoter history. Germany has always consisted small. But the country's division after World War Two left the country of the cou

Germany, cosy, provincial Boun fulfils only the role of West Germany's political and administrative centre.

the way that, say, Paris, Lon-don, New York, or Tokyo are. The geographical variety of Germany's economic some can be both stimulating and ex-

West Germany's political and administrative coatre.

It is cities like Hamburg, Munich, Buesselderf, Cologno, Frankfurt and Stuttgart, which determine the pulse rate of German husbress and cultural life. But none is dominant in

hensting. From Frankfurt, the financial centre, Musich and Hamburg are only a short flight away. But to reach Gue-tersloit of Sulviach Recembers

Guetersion

Benefits of Diversity

what is now the largest interna-tional media group, since Ber-

a matter of urgency to fluid new jobs. The town has cheap land and fiscal incentives for new in-

And the town has a large Nato air base. Bertelsmann has been in the

Bertelsmann has been in the area for just over 150 years, and Miele for nearly 90. Both are still privately-owned and examples of successfully innovative spread widely into world have salp and last of too many districtions. Guetersloh is a nodal point, a Meeck! Here, he adds, in the milies own miles own families own miles and zinkann families own miles, and least of too many districtions. Guetersloh is a nodal point, a Meeck! Here, he adds, in the miles, and least of too many districtions. Guetersloh is a nodal parate understanding that people sense and take away with the miles of the miles. Guetersloh out of a total of 12,000.

Despite their world wide sales and activities, it seems unthintable that either would leave Guetersloh. Tradition and local itsolvement are important for German companies. Yet it tannot be easy to carry on international business in a town with no major airpurt nearthy

WHITNEY HOUSTON, the chart-topping US singer, has not yet been persuaded to come to Guetersloh, says Mr Mark Woessner, chairman of the Bertelsmann media group, somewhat wistfully.

After all, this small, next and tidy norther to two of \$3,000 inhabitants, is hardly a world entertainment and cultural centre. It is charm-ing friendly, and prosperous, but somewhat off the beaten track for tibe big stars.

Yet Guetersleh is the home of what is now the largest international media group, since Ber

decades. So is Vossen, the towdecades. So is Vossen, the towelling goods company.

Other Guetersloh products inolude furnitine, ropes and cable, and typically German foods
such as hem, sausages, and in Paris for quick trips to the
pumpernickel bread. Steinhaeger schnapps is made negroy,
and the town has a large Nato, its problems, though the hossesin Paris for quick trips to the US. Mr Woeshier admits that being based in a small town has its problems, though the hosses of its main music, book and magazine interests are in the

visible from the windows, Bertelsmann's headquarters certainly exudes a celluler influence than would be the case, say, in Frankfurt or Hamburg. At Miele, 150, effort has been put into creating an aesthetic environment, with nest lawna, flowers and a fountain next to its main building.

Miele, whose turnover ex-ceeds DM 2.15h a year, exports just over half of its output, mainly within Europe, though it is building up US sales. Its range includes wishing ma-chines, dishwashers, vacuum classess its forbers. It has

chines, dishwashers; vacultm elemens and cookers. It has been a pioneer in electronically-rontrolled appliances, and its predents have near-legandary survival qualities. Since its predominantly farming days, Quefersion has come a leng way. Now, it seems a model German tewn, elean, well-off, and with an appealing mixture of old and new buildings. Even so, unemployment is some 9 per cent, hear the national average. So it is seeking new companies. "We want growth industries," says Mr Karl Ernst Strohmann, the mayor. "Unfortunately, we don't have Nixdork," he adds in a half-joking reference to the thrusting and highly profitable compater company based at hearby Paderbern.



The gleaming gables and spires of Guetersich; a fively and attractive place to live

Sulzbach - Rosenberg

Hit by the decline of steel

"SAVE MAXHUETTE," says the yellow and black poster in the yellow and black poster in the window of a high street clothes shop. "Sulzbach-Rosenberg must live." The south-east German town and its steelworks are shown perched on a splitting rock A rope binds the shaky structure together.

This stark message by local trade unions highlights the plight of a town whose largest employer - Eisenwert Geself-schaft. Maximilianshuette, founded in 1853 - is threatened with collapse or a sharp cut in

with collapse or a sharp cut in size. It went into receivership in April with debts of over DM800m.

At stake are some 3,500 steel jobe Already, unemployment in the town is nearly 20 per cent, well over twice the antional average. Maxhuette's disappaarance would lift this to around 40 per cent. Rescue themes are being discussed. schemes are being discussed. ernment reckons only around 1,000 jobs can be salvaged. Jobst Wellensiek, the receiver, hopes it can be nearer 2,000.

It can be nearer 2,000.

It is not the sort of hersh dilemma normally associated
with Bavaria, home of prosperous companies like Siemens
and BMW. But Sulzbach-Rosenberg lies well away from the
high-technology region centred
on the city of Munich to the
south. Maxhuette is virtually all
the town lass. The sext bissest
employer is the hospital.

employer is the hospital.
Since the receivership, the area has lived in uncertainty. Two
years ago, the company, in
which Ruhr-based Kioeckner-



Steam and amobe still rise from Sulzbach-Rosenberg's economic engine, the Mathuetin steelworks, but for how mech lenger? The company collapsed into receivership in April, threatening the loss of 3,500 steel jobs and unemployment of 40 per cent.

Werks owned 49 per cent, em-ployed nearly 6,000 people. Ear-ly this year, the figure was still above 4,500. "If it comes to the worst," warns Mr Heinz Jaeger, deputy head of the Mäxhuette works council, "the only people left here will be pensioners or local administrators."

local administrators." It is a gloomy prospect, espe-cially for the young. Mr Jaeger eaks it a modern form of being driven from the homeland," a reference to Germans forced from their homes at the end of World War Two in what is now the Esstern bloc. Mr Gerd Geis-mann, chief administrator in the town of nearly 18,000 people

the same analogy. If we don't succeed in keeping youth through new jobs from companies locating here, then it will be over anyway. The Middle-Upper Palatinate (the area of Bavaria where the town lies) will break up and bleed to death.

are hardly new in Germany, where 35,000 jobs are set to disoppear in the next two years. But as a ylimal one company town, Sulzhach-Rosenberg stands to lose especially heavi-ly. Situated well away from the traditional steel and heavy in-

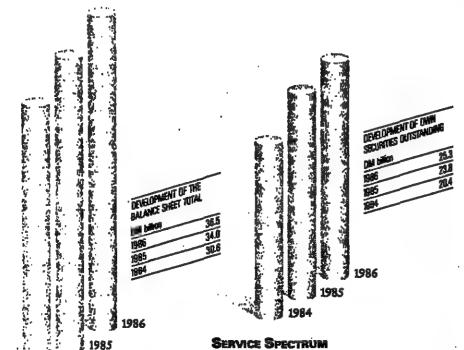
dustrial afeas of the Ruhr of Saarland to the west, it is trying hard to attract new jobs, so far without success. "The outlook it dismal, but not hopeless," says Mr Geismain, who reckions a fustrial afeas of the Rufir of Saarland to the west, it is trying hard to attract new jobs, so far without success. The outlook is dismal, but not hopeless," says Mr Geismain, who neckohs a hall restructuring of the local employment scene could take over 30 years.

The grimy smoking Maxhautte works looks awesomely incongrous aimid the prettily woodled hills of horith-eastern Bavarla between Nureinhard and the Crech bordet. Viewed from this works in the protection of the prettily woodled in the prettile work was a well as a woodled in the prettile was a warmen to be provided in the prettile was a warmen to be prettiled in the prettile was a warmen to be prettiled in the prettile was a warmen to be prettiled in the prettiled was a warmen to be prettiled in the prettiled was a warmen to be prettiled in the prettiled was a warmen to be prettiled in the prettiled was a warmen to be a warmen to be prettiled in the prettiled was a warmen to be prettiled in the prettiled was a warmen to be prettiled in the prettiled was a warmen to be prettiled in the prettiled was a warmen to be prettiled was a warme

in between Narembarg and the Crech border. Viewed from the modest height of the historical of the Bavarian bopolation by stractive Sultbach end of the Bavarian bopolation town, the steelworks down in the Rosenberg section seems training cantre, providing jeb skills to nearly 200 young people, will at least remain, whatever happens to the steel works. For Maxhuette's workers, whose average age is 44 many have been at least 25 years there the fature does not look cheërful, whether a truncated steelworks survives or new incheerful, whether a truncated steelworks survives or new in-flestries are attracted. What will people do if the worst hap-pens? "You have to try and push it from your mind," says MrJae-gar. "If you start thinking about it, you've already given up."

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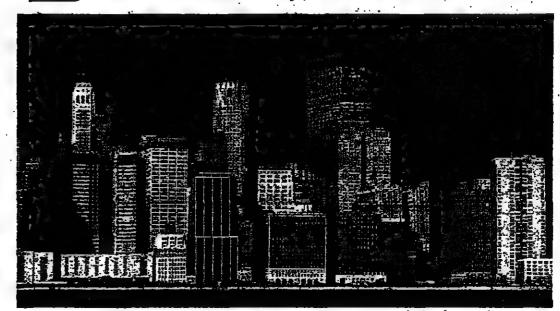


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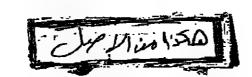
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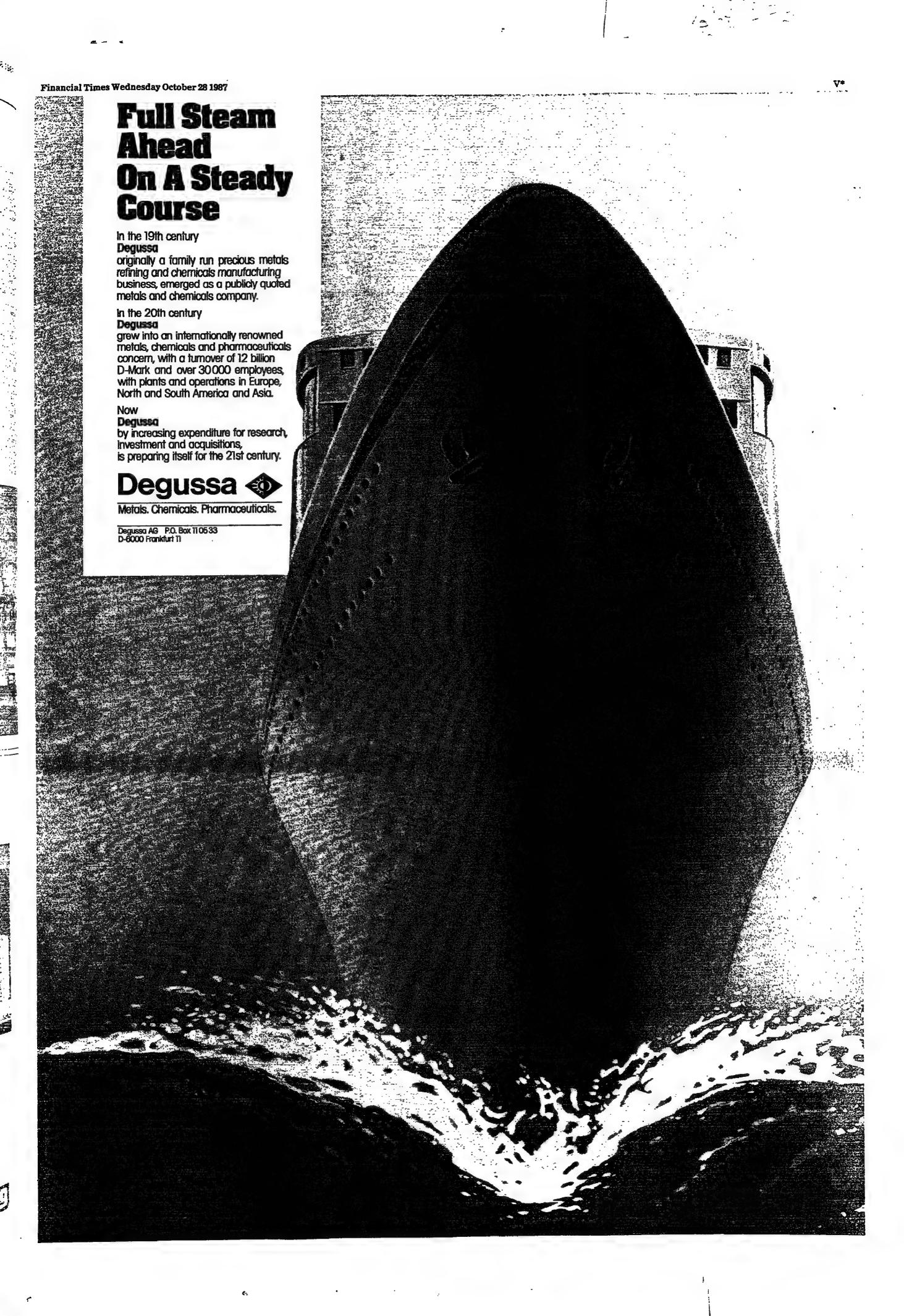


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Profile: Carl Friedrich von Weizsaecker

A race against time

LEVITY DOES not come lightly to Carl Friedrich von Wair-snecher. His words hang heavily with measages of desperation

with measages of desperation and hope.

Professor von Weizsaecker is a scientist who, stamped both hy his own war-time experience and by the traditional intellectual curiosity of the German natural sciences, has become one of the Federal Republic's foremost philosophers.

Put into a grim nutshell, he believes mankind is on a race against time to save itself from destruction.

destruction Supported by the Social Dem-ocratic Party (SPD) in 1979, he had a chance of becoming West German president. In fact, he turned down the idea of cam-paigning, and it is now his younger brother, Richard, who sits in the Villa Hammerschmidt,

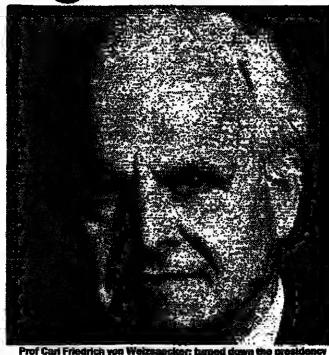
in the Villa Hammerschmidt, the official residence of the fed-eral head of state.

Prof von Weizsaecker, 75, studied physics at Leipzig and Goettingen under Niels Bohr and Worner Beisneberg and lat-er worked in Berlin just before the war with Otto Hahn and Liese Meitner, who discovered the Meitner, who discovered the fruitful, deadly secret of atomic fission at the end of 1938.

Von Weizsaecker was one of the team of top atomic scientists who worked on Nazi Germany's atomic bomb project during the war. Bereft of funds and above all political will (Hitler believed the war would be won long before an atomic bomb could be produced) the scientists never succeeded in producing a chain reaction. But the project provided the spur for the US race to build the bombs dropped on Hiroshima and Nagaration.

In early 1939, in the aftermath of Hahn's fission breakthrough, von Weizsaecker says the realis-ation of the potential of atomic bombs brought him to a conclu-sion that has guided his life since then. The alternative was that , Either mankind would not survive this discovery, or else that the political Institution of war would have to be

Von Weizsnecker, a Christian, has become a leading cam-paigner for a "peace confer-ence" of the world's Churches to try ensure "justice, peace and the integrity of creation." The



Prof Carl Friedrich von We in favour of his younger brothe

churches in the industrialised, long-standing member of the Communist and developing worlds whose social and economic systems are all, in different ways, in a state of crisis. The conference is planned to take place in 1990. Von Weizsaecker says, "We must hope that God has enough patience."

Von Weizsaecker is close to the SPD - though not a party member - and leaveling to link member and leaveling to the divided country. He is a strong believer that controls on East-West technology transfer are counter-productive.

On the growing to link to member of the Halle-based Loopoidina acade my linking East and West German scientists, is a frequent traveller to the eastern part of the divided country. He is a growing transfer are counter-productive.

the SPD - though not a party member - and is playing a part in giving the party new ideas for the future. On the SPD's call for the future. On the SPD's call for a gradual 10 year "Ausstieg" (exit) from nuclear power, he says, his position is ambivalent. "I believe it is too dangerous to be used as the leading form of energy." But the number of people who will die as a result of the long-term impact of the Chernobyl accident is dwarfed by deaths from traffic accidents.

On the growing rapprochement between the two Germanys, he says, It has been my subjective position since 1945 that I will not live to see German reunification. But for peace in Europe, it is very right and very necessary that the two German states should have the best possible relationship."

question has to be seen in a long term international context. byl accident is dwarfed by long term international context.

Read deaths, he says, represent could only take place as a 'recommit, year by year.' And he points out that, taking into account all forms of death caused by coal production and burning, "fossil energy kills more than nuclear."

Long term international context. Any German reuniaction of could also place as a 'recommit, year by year.' And he points from Vladivistock to opening from Vladivistock to opening from Vladivistock to say the could be could be

Leslie Colitt, in West Berlin, looks at relations with East Germany

The two-way tide is growing

iy matters.'

Significantiy, only a tiny fraction of the Easterners decide not to return home, less than 6,000 last year; but there has been a sharp fall in the number of East Germans who are allowed to move permanently to West Germany. The East German party, which had never before recognised the slightest need to reform. Party members rose at meetings and called for discussions on precisely what was needed in the way of party will discourage disgruntled ultigens from applying for permanent resettlement to West Germany's Postal Minister arrived for talks on increasing the inadequate number of fale. nent resettlement to West Ger-

This has not yet happened, however, and estimates of the East Germans who want to leave for the West range from 75,000

Germans visited West Berlin reached just before the Honeckand West Germany last year.

The westward tide this year has picked up momentum and by the end of December Lam Easter visit between the East German Communist Party and the opposition West German Social Democrats (SFD). Following a care expected to visit the West.

Increasingly, applications by East Germans to visit friends in the West are also being granted, although technically they do not fall under the arrangement between East and West Germany governing visits in 'urgent family matters.'

Significantly, only a tiny frac.

rived for talks on increasing the inadequate number of tele-phone lines between East and West Germany, East Germany has little incentive to carry out improvement on its own, as it would require considerable investment and not result in any During his first visit to West extra hard-currency revenue Germany last month, Mr Erich from the West But in the mean-time, the number of telephones er, promised Mr Helmut Kohl, calls from West to East Berlin the West German Chanceller, and East Germany rose from that the number of East Germany that the number of East Germany rose from that the number of sets to though the number of lines re-

EAST GERMAN visitors in tiny
The West for security reasons
West Berlin and Kanel these
days, while East Germany
Reichsbahn trains leaving for
these west are filled with younger
least Germany.
These are the highly visible
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Another project discussed
during the Honecker visit was
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of the railway link between
the mailing specialist magazines,
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The twin in gold of communities
the financial resources to help
affecting the two countries, as
both sides agreed during Mr Ho
necker's visit. On the other
ne the financial resources to help reduce air and water pollution affecting the two countries, as both sides agreed during Mr Honecker's visit. On the other hand, it could earn the hard currency required to buy West German anti-pollution equipment for its lignite burning power stations from electricity sales, if an ambitious plan to link the West and East German electricity grids, including that

the building of the Bertin Wall in East and West Germany, until in 1961, detente in the East-West German context has meant a gradual improvement in access to the East by West Berlinars on the East by West Berlinars wist and now encompasses and West Germans, starting in the late 1960s.

Last year, however, a record 573,000 East Germans below retirement age were able to visit the West in the first major reverse flow of visitors. Together with East German pensioners, who were long permitted to travel to the West, 25m East Germans visited West Berlin permitted to travel to the West, 25m East Germans visited West Berlin reached just before the Honeck of the West Germany last year. The westward tide this year has man Communist Party and the East Germans.

In East and West Germany, until sales, if an ambitions plan to recently prohibited by the East link the West and East German electricity grids, including that the West German vest German with East Germans below reincluded in the delegations visiting their West German partner towns.

Of potential long-range improvement in access to the East Germany last year. The westward tide this year has mean communist Party and the East German with East Germany last year. The westward tide this year has mean communist Party and the East German with East Germany last year. The westward tide this year has mean the East Germany until link the West and East German link the West and East German with the West and East German with East German we incompasses that the Mest Berlin is realised.

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fered severe power shortages in fered severe power shortages in second winders, would be able to get electricity from this line to cover its peak needs. Under the plan, East Germany would use the D.Marks it earns from the

cost of a modern rail line which could be used by the new generation of very high speed trains is estimated at DMAn, with East Germany again being prepared to pay only a small part of the cost.

The two German states also agreement in Bonn which had been under negotiation for fourteen years. Researchers from both countries are to work on joint projects ranging from on joint projects ranging from physics to production technolo-gy, and the Aids disease.

gy, and the Alds disease.

The two countries also agreed to exchange information on nuclear reactor safety, in order to reduce the danger of nuclear accidents and to improve the disease of radioactive wastes.

But, undoubtedly the greatest impact of Mr Honecker's visit to the West was the sentence he spoke during the visit to his

tween them was not as it should be. The East German leader went on to say that, if both sides acted according to the communique they had signed in Bonn and achieved a 'peacethi co-operation, then the day will come when the border no longer divides us but unites us – just as the border between the German Democratic Republic and Po-

In West Germany this was taken to mean the possible lifting of the standing orders to East of the standing orders to East German border guards to shoot at citizens seeking to escape. In fact, much sooner than had been imagined, East German hopder guards who fied to the West reported that on several occasions this year during the visits of Western leaders to West Eerlin and Mr Honecker's own visit to West Germany the orders given the border guards to shoot at sight were suspended for several weeks.



The leading of the two Germanies, Edob Hopeoker (left) and Hebrart Kebi et the Palale Schmaniburg in Boun last month

The worries remain

THE PROSPECTIVE agreement "double zero," the Government to avoid spreading its France's between the US and Soviet has appeared indecisive and "nuclear umbrells" over West Union on eliminating medium even insincere in its entire ap-West German defence strategists the opportunity for a limited amount of self-congratula-

the point out, with justification, that West German tenacity in deploying Pershing II and cruise missiles from 1963 onwards, in line with the original Nato double-track decision of 1979, beingd nave the way for 1979, helped pave the way for

However, Bonn's pleasure over the likelihood of a superover the highlinood of a super-power "double zero" deal - eli-minating all missiles with ranges between 500 and 5,000 km - has been less than total. It has been overlaid by worries that the shorter-range US and Soviet warheads which are left would all explode on German soil (in both East and West) in

the case of conflict.

Additionally, West German defence planners and officers fear that the prospective raising of the nuclear threshold in Enrope, however welcome in dampening the prospect of an atomic holocaust, increases the exposure of Nato's front-line state to the Soviet Union's nu-merically superior convention-al forces and chemical weap-

Mr Manfred Woerner, the Dee Minister, has made clear ger that Moseew could use the accord to exert "hegemony" over

western Europe,
In spite of the centinuing
presence in West Germany of
200,000 American troops, rightwing commentators have been suggesting that prospective re-moval of US medium-range weapons will push further the process of "decoupling" of American and West German

American and west derman strategic interests.

Anxieties over the missile ac-cord among the conservative parties in the centre-right coaliparties in the centre-right coali-tion have been aired almost continually during the spring and summer. This has led to two periods of controversy - first on whether the Government would agree at all to the "double zero" and then on whether, as part of the deal, it would agree to scrap its ageing Pershing IA missiles whose warbeads are under US

much doubt that the Govern-ment would have to follow the line of the superpowers.

But the well-publicised doubts meant that, instead of reaping the political benefits of

bounded against Mr Kohl's Christian Democratic Union,

Bonn hopes that the political wounds have now been healed. But in military and strategic terms, the real post-double ze-ro battle for West German dee planners is now only just

The increasing importance that conventional defence will now no doubt play in the European security equation has had two consequences.
One is to strengthen Bonn's

determination to press for reductions in the Warsaw Pact's troop and tank strength and es-pecially to support the quest for

Parts wants to avoid spreading the French nuclear umbrella over West German soil

 a world-wide ban on chemical weapons. Unfortunately, the singgish history of the Vienna European troop reduction talks does not hold out any hope of

flank. And this desire has met with understanding from the Paris Government, now alerted to the danger that distillusionment and disarray in West German security policy would also spell a threat for France.

Improved defance co-operation between France and West Germany, symbolised by the largest-ever military manoeuvres between the two countries in Bayaria- in September, raises the prospect that French forces would come to the defence of West Germany, like other Nato

West Germany, like other Nato armies, in the case of aggres-sion on its eastern border.

A France-German Defence Council, due to be formally con-stituted in January on the 25th anniversary of the Elysee Trea-ty of 1962, is intended to give flesh to this commitment. It is not clear, however, whether France is full-blooded-

ly committed to this new securi-ty link. The accord has been given backing by President Francois Mitterrand, but Mr Jacques Chirac, the Prime Min-ister, has pointedly distanced

has been left vague. Paris wants

own party that France can nev-er replace the US as the guaran-tor of West German security.

In the new post "double zero" era, maintaining troop strength in West Germany's 490,000strong army, and dampening growing public irritation over the activities (such as low-flying by US aircraft) of Nato forces in West Germany are liberature.

by US aircraft of Nato forces in West Germany are likely to pose increasing headaches for the Boan Defence Ministry.

The financial crunch on the military procurement budget is also growing. The squeeze caused by massive cost escalation of the Franco-German military belicopter PAH-2 has tary helicopter PAH-2 has raised question-marks over West German participation with Britain, Italy and Spain in the planned European jet fighter

planned European jet fighter fur the 1990s.
Although it seems unlikely that Bonn will pull out, the fighter issue is due to come to a showdown at a Cabinet meeting on November 11.

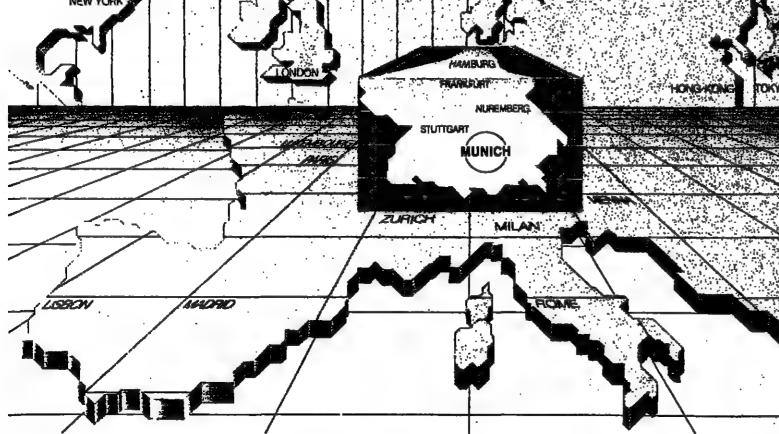
West German sensitivities about its front-line position have also led to differences of opinion with other Nata course.

nave also led to detterences or opinion with other Nato coun-tries, especially the US, France and Britain, on how follow-on nuclear disamament talks should be conducted. Bonn wants an immediate move to ne-gotiations on Femoving the un-der Sol by some arranges. der-500 km range arsenals - the Scud-B and SS-23 weapons based in East Germany and Cze-

choslovakia.
This has been opposed by Washington and London, which Washington and London, which are concerned that further cuts in European nuclear forces would damage irrevocably 'Nato's "flexible response" strategy. The new Nato Supreme Commander in Europe, General Galvin, also warned this month against "dangerous hurry" in nuclear disarmament.

West Germany at least looks

West Germany at least looks likely to have a front seat in Nato if Mr Woerner is appointed the organisation's secretary-general to take over from Lord Carrington next year. His candidacy has run into heavy opposition from Norway. But if he does leave Bonn this could also algual more disagreement over security policy within the rapks of Mr Kohl's Government. It has been ru-moured that his successor could be a politicism with a distinctly soft line on disarmament, Mr Helner Geissler, the CDU general secretary. If this turns out to be the case, then protests himself from it. from Mr Kohl's right-wing are
Additionally, the role of likely to fiare up with a venFrance's nuclear strike forces geance all over again. from Mr Kohl's right-



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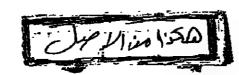
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Profile: Hans-Jochen Vogel

How the head knocked his party in shape

JUST OVER two years ago Mr Hanz-Jurgen Wischnewski, co-ordinator of the dramatic res-cue of German hostages on a cue of German hostages on a seeable future. The FDP sank Lufthansa jet in Mogadishu in Helmut Schmidt's SPD Government of West Germany's opposition Social Democratic Party,

There is a high degree of

bility to peer down at whoever

he is talking to. He is, in fact, a relaxed and friendly man but the stern image may do him no harm for a while. He assumed leadership of a demoralised SPP this year after Mr Willy Brandt resigned as chairman and, al-ready, experienced political obervers in Bonn say they detect a new sense of purpose and dis-cipline running through the

T would take only a little of the responsibility myself," he says. The party had recognised after losing so badly in the general election last January that it was in bad shape. What had also been encouraging was the apparent inability of the radical Greens party to come to terms with a host of Laender losses the Greens now seem irrepara-bly split on policy but they had, before January, been doing the SPD a great deal of damage.

Willy Brandt's departure has done a lot to lessen the once constant speculation about pos-sible links between the SPD and the Greens. Mr Vogel is a political moderate and not as fascinated by Green exuber-ance as Mr Brandt was

accusing its parliamentary leader, Mr Hans-Jochen Vogel, of "behaving like a head teacher."

Today Mr Vogel, 61, is leader of the whole party and says magnanimously that the slight did not hurt. "They used to call Helmut Schmidt a sergeant-major," be remembers. "By comparison."

There is a high degree of agreement in security and foreign policy between us and the economic and social side the gulf between us is even greater than in 1982. All this (recent) speculation about a link with the FDP at the Federal level has no inner logic."

West Germany has become

mut Schmidt a sergeant-major, he remembers. By comparison, a head teacher is somewhat kind.

It has to be said though that Mr Voyal does look a little bit like a head teacher. Tall and erect, his forehead sweeps back to wavy grey hair and he has an ability to peer down at whoever and its leader said i ty is going through a major, though amicable, reworking of policy and its leader sees his b partly as keeping things qui-

economic and security policy questions and is somehow not ready for Government. The ability of my party to govern is the present Government," he says. "Compared with the infighting and squabbling in the (Kohl) Government the SPD

(Kohl) Government the SPD looks like a happy family."
The SPD, he insists, would lead far more decisively than Chancellor Helmut Kohl's Christian Democrats. The sansitivity to pressure from lobbylats of a CDU-led Government in the content of the much greater than that of an SPD one," he says. "Of course we have to take account of the unions, but we would be more registant because we don't have all these (business) interests in

But didn't the Schmidt Government ran the country into heavy public deficits? "Our (SPD) deficits were rising at a time of depression in the world economy," he says, but now the number of unemployed here is higher than it was then, even af-He denies, however, that the ter five years of economic re-SPD's only other real alterna-covery, and deficits according



Mr Vogel: not the right time to

to (Lothar) Spaeth (a senior CDU leader) could rise to DM65bn or DM90bn (from DM52bn) by 1990. The decisive point is not whether one has deficits, but why.

One thing he would spend money on if he were Chancellor - he ran and, not unexpectedly, failed against Mr Kohl in 1983 -would be the Ruhr coalfields now threatened with closure. Some 30,000 miners will probably lose their jobs in the next few years. We have to thank the coal-miners that we did not coal-miners that we did not freeze after the war. But this is not a one-way street. Now that they are in trouble, and we are able to, we have to help them."

Once Mayor of Munich, and a Minister of Justice under Helmut Schmidt, Mr Vogel is also keenly aware of the deep suspicion in which the SPD's defense. and Ostpolitik is held by conservatives at home and abroad. Thank heaven, he says, that the recent visit to Bonn by the East German leader, Mr Erich Honecker, took place under a
Christian Democratic Government Just imagine the reaction
if Honecker had come while we were in power," he chuckles.

Being in opposition has its momenta, anyway. The Govern-ment often picks up old SPD po-sitions that it once criticised and SPD guests are frequently mapped up to see ministers. It happened again this month we invited (Soviet Central Committee foreign affairs chief) Anato-ly Dobrynin here and then Kohl speaks to him for three hours, says Mr Vogel. "That's not bad."

Politics

Three sides to almost any story

TO THE casual reader, West German politics must some-times seem to resemble its cha-otic Italian cousin. For most of this year reports out of Bonn have been remarkably consist-ent in their subject matter there is trouble (again) in the

Explaining quite why the three parties that govern West Germany fight so much is like trying to make clear why Prus-sia and Denmark squabbled over Schlerwis-Holstein in 1848 over Schleswig-Holstein in 1848. Lord Palmerston, the English statesman, said he had once understood why but had since for-

gotten.
The three parties in Chancellor Helmut Kohl's coalition caunot abide each other. Their
marriage is completely without
love. The biggest party, Mr
Kohl's Christian Democratic
CDU, rightly to als their feared
and loathed by its Bavarian sister party, the Christian Social
Union (CSU) and the butt of cruel jokes about its provincialism el jokes about its provincialism by the liberal Free Democrats

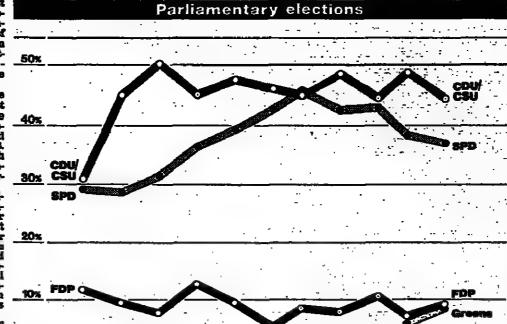
(FDP). The CSU, run like an army by the Bavarian leader, Mr Franz Josef Strauss, is the most trou-blesome. It is not only very right-wing but, probably be-cause it is confined to Bavaria, feels a need to throw its weight around. The CSU-particularly despises the FDP because the FDP is "soft" on internal securi-ty and controls the Justice Ministry. It also resents the fact that Mr Hans-Dietrich Genscher, a member of the FDP, is Foreign Minister and thus presents a skewered (liberal) picture of West Germany to the outside

kingmaker. It, after all, made the Kohl Government possible by abandoning the Social Democrats (SPD) in 1982 and joining Mr Kohl. The liberals regard the CSU with the nervous amusement that crazed drunks generate when they climb onto crowded buses. Who gets breathed on next? The CDU is simply the vehicle that brings in the most votes and allows the FDP more chance to put its free market policies into effect than the SPD did. Unlike Italian coalitions, though, the one in Boun has

The FDP regards itself as the

been put together with a very flexible gine. No one is going to walk out yet, no matter how much patience and principle

This enthusiasm for power, rather than policies, is easy to



1965

1969 1972

sure, Although Mr Kohl came to power in 1982 promis-ing Die Wende, or what was tak-en to be a Thatcherite turnaround in economic and social policy, almost nothing has hap-pened. The country has man-aged to get inflation down to al-most nothing but at such cost to investment that this year the omy will struggle to grow

1953

1957

much more than 1 per cent.
Rather, the Government has come bogged down in its internal fighting and backstabbing and is constantly being overtal. and is constantly being overtak-en by events. It happened in the summer, when Mr Kohl opposed the so-called "zero option" - the US and Soviet plain to scrap all their intermediate nuclear force (INF) missiles. Within weeks, he had to agree to it, much to the irritation of his right wing Rut he said in June right wing But, he said in June, Bonn would never surrender its 72 Pershing 1A missiles. Two months later, he had.

The missiles brought to the surface an entirely new battle in the coalition, as the CSU now trained its sights on the CDU afor four years of liberal bash-

tween them but for much of Mr treme right wing parties, some of which are beginning to score in local elections.

The CDU is, in fact, engaged

1976

trol. Since the election, however, Mr Strauss has stepped up his attacks. Both the CSU and CDU lost votes in January and Mr Strauss blames Mr Kohl, citing induction and the corrupting influence of the FDP. By offering to give up the Pershing 1As before even consulting Mr Strauss, Mr Kohl went too far, he said. After flinging some intemperate insults at Bonn and the Chancellor, Mr Strauss pulled his party out of some coalition meetings in protest.

The two sides later met and agreed to stop fighting in public, but it is clear that something significant had happened. In the mid-1970s the CBU threatened to break its alliance with the CDU and to campaign us-

the CDU and to campaign na-tionally. It got cold feet then, but the threat has begun to loom

large again. Mr Strauss fears that the CDU is beginning to move slightly to the left in an attempt to pick up discontented former SPD sup-porters. His worry is that the right wing outside Bayaria will

1980 1983 1987

in a controversial attempt to re-position itself and Mr Strauss's fear are not unfounded. Senior CDU administrators believe there are votes to be won left of centre among young people en-tering high technology service industries but they have run in-to opposition from the Chancellor who appears to want the par-ty to stay firmly right of centre.

But the argument has more to do with where the CDU will be after Mr Kohl is no longer around. Most of the main con-tenders for his job, including Mr Norbert Bluem, the Labour Minister, favour a shift.

"The CSU is relatively helpless here, although it can and does make a lot of noise. If it were to go national, then the CDU would campaign in Bavaria and the CSU would come off second best. It also seems highly unlikely that the rest of the country would open its heart to a party that for the last four de-cades has been arrogantly trum-

lunny accents. The thought of the CDU trundling left annoys the FDP as well, because the new technovotes are also a liberal target. Some of Bonn's more adventurence because heart annotes and a liberal truncations. turous observers have already begun to spot tell-tale signs of the FDP getting itehy feet again. it is, at the moment, unthinkable that they would leave this coalition as they did Helmut Schmidt's but they are, nevertheless, clearly not at home with Mr Kohl.

For the SPD to become a possible partner again, though, the environmentalist Greens party would have to be removed from the picture. The Greens somethe picture. The Greens some-times seem to be in the process of doing just this themselves, with their "realist" and funda-mentalist wings barely able to make policy together. But West Germany can be ruled only by coalitions and the Greens seem to be all the SPD has got at the

moment.

While the SPD and the Greens languish (sometimes together) in a Federal political wilder-ness, however, the SPD and the liberals are showing an interesting willingness to co-operate at state level again. An SPD-FDP coalition now runs Hamburg and had the Social Demo-crats not won an overall majority in Bremen, they might well have invited the FDP into government and not the Greens

It is also quite possible that an SPD-FDP Government could emerge from the mysterious danth earlier this month of Dr Uwe Barschel, the former Schleswig-Holstein Premier. Mr Scheswig-russem Fremer are Barschel had to resign a few weeks earlier because of allega-tions that he had tried to smear his main SPD rival in last month's state elections but his death may lead to a new poll. The SPD has not ruled out a link-up with the liberals in the state and it is not certain that FDP declarations of loyalty to the CPU will hold forecast. the CDU will hold forever.

Mr Barachel's death, though, may have opened up an entirely new chapter in West German politics. Allegations of murder have been made by his family and a can of very unsayoury worms seems to have been opened before an anazed public It may be far too late to put lic. It may be far too late to put to the lid back on, in which case the coalition's current brawling will have been chicken feed.

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A lot nearer

to Weimar

Trier's twin town

"THE WORST thing about Tri-er," wrote Goethe during a trip in 1792 to the antique German town on the Moselle, "Is that it is a long way from Weimar.*
Trier and Weimar... the first
the birthplace of Karl Mars, the the nirinpiace of Karl Mark, the second the town in which the genius of Goethe and Schiller flourished. Each represents in its own way the continuity of German culture and history, in-terrupted but by no means end-

ed by the post-war division of Europe.

Now the two towns have a good chance of becoming nearer in spirit, if not in geography, in a way which Goethe could never have dreamed of. An urban 'partnership' was formally inaugurated between them last month, the 10th in a series of twinning arrangements between East and West German communities which symbolises a new mood of cautious togetherness between the two Germans togetherness between the county of the series of the series of the series of twinning arrangements. between the two Ger-

ed by the post-war division of

erness between the two Germanies.

Trier, officially 2,003 years old, ranks as West Germany's oldest town. Founded by Emperor Augustus, its front-line position on the western boundaries of successive Germanic empires has given it a turbulent history and brought peace and prosperity only relatively latewith the post-war move towards Western European integration.

The twinning arrangement with Welman Is the first to be sealed with a West German town run by the Christian Democratic Union (CDU). Mr Felix Zimmermann, the 54-year-old CDU mayor of Trier, says this gives it a special quality - also fir the East Germans.

Deaptic Bank Germany's official reluctance about attaching too much importance to such

too much importance to such partnerships, Mr Zimmermann says East Berlin's more open attitude towards the "dialogue" brought by these arrangements would have been inconceivable

would have been inconceivable oven six months ago.

The idea of an East German twinning link was first formally tabled by the Social Democratic Party in Trier in 1984. But Mr Zimmermann, a burly lawyer and art-lover who has been mayor for seven years, hails the partnership as fulfilling a long. held personal ambition. Weimar was the only East German was the bundestag does not summon up a two-thirds majority to change it, he points out.

As one curious common link, Mr Zimmermann shares the same birthday (Angust 25) as Mr Erich Honecker, the East German was the Union move towards more thorough the points out. mar was the only East German candidate which ever came into question as a centre of Europe-

people each next year), a peace



tymposium, exhibitions and a conference on architectura conservation are all foreseen Mr Zimmermann hopes the link will lead to a blossoming of ar-

The ties can scarcely become as spontaneous and natural as those with West European towns such as Metz and Gloucester with which Trier is also twinned, says Mr Zimmermann. But politics can also be carried out in small stees not carried out in small steps, not just big ones."

Mr Zimmermann concedes

Mr Zimmermann concedes that the forging of "normal" relations means, for East Germany as a foreign country, whereas for the Federal Republic it is exactly the opposite - seeing East Germans as "co-citizens."

The famous preamble to the Federal Republic's 1948 Basic Law (provisional constitution), selfing down German reunification as the state's overriding aim, will continue to exist as long as the Bundestag does not summon up a two-thirds majority to change it, he points out.

As one curious common link,

oughgoing detente, then the question of reunification will be seen in a different light, says Mr Zimmermann - and the Utoan culture, he says firmly.

The partnership will start to gain shape only slowly. Visits of sic Law could turn out to be musicians, handball matches, youth exchange visits (20 young



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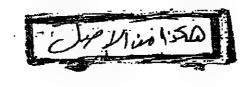
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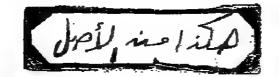
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WEST GERMANY 9

Trade Fairs

Moving towards specialisation

PAIRS ARE big in Germany, and the competition between Hannover, the country's biggest. Frankfürt, Which comes second and other major sites like Dues-seldorf and Manich is extreme

Moreover, the market interna-tionally is becoming steadily more competitive as expansion-ist-minded city councils contin-ue building large exhibition and convention centres and jos-tle for business that is now stat-

Pinning down Frankfurt's to-tal number of visitors to the fair each year depends very much on the year you choose, as the IAA - the fair's biggest draw with over 1m visitors - takes place only every other year.

Annual attendance varies between about 1m and 2.5m a year, depending on whether the IAA is on or not. Unlike the IAA, with its mass-market draw, the book fair and most of Frankfurt's other functions are main-ly for professionals and have lower attendances to match.
The book fair pulled in over
100,000 publishing people last
year, making it the leading publishing event in the world.

Both books and cars are "guest events, meaning they are organised by outside sponsors who use the fair's facilities. However, the fair puts on plenty of its own shows as well.

Two of the biggest are the annual Spring and Autumn International Fairs, which pull in about 109,000 and 30,000 visitors respectively. Both are wideranging consumer goods exhibitions, designed to give producers and providers of consumer servicers a chance to meet and show their wares to the retailers who flock to Frankfurt to see what is new.

The opening days of the spring and Autumn Fairs are often also used by politicians and Germany's economic institutes as occasions to pontificate about the state of the nation or the economic outlook. You have to try hard to miss the Messe. Its buge exhibition halls, cohveniently located on the western edge of the city centre, cover some 400,000 sq m, 261,000 of

By early next decade, the fair will become even more visible. will become even more visites of the point o

been investing since 1980, though the skyscraper itself is in fact a joint venture with private developers. In return for fairs in West Germany chos-the land, the fair is getting some Frankfurt. of the office space and a share of the rent in the completed

Among other big development projects on hand is the nearly projects on hand is the nearty completed renovation of the Festsaal, the congress hall, which is sometimes rather flat-teringly called the pearl of the

A huge circular Victorian pile, it is more a clam than a pearl. However, functional it certainly is, seating up to 15,000 spectators in reasonable com-fort after its recent modernias-

Work will soon start on de-mollshing Hall 1. This was one of the fair's earliest exhibition of the fair's earliest exhibition halls and is to be replaced by a modern multi-function space, designed to promote the fair's strategy of offering a range of smaller 'special interest' events beyond just the large traditional single functions for which it

Under Mr Horstmar Stauber, its far-sighted managing board chairman, the fair has increasingly been moving towards appringly been moving towards appriation and a marketing strategy of presenting itself as a service industry fostering contacts, rather than just a provider of exhibition space.

Spinning off new events, such as the now-annual Music Fair, from the most popular areas of the Spring and Autumn fairs, is one example of that specialisa-tion. Another is concentrating on what are felt to be worth-while new exhibitions where there is thought to be untapped

Textiles is one example: Frankfurt is now a world leader with five different events for the textiles trade, ranging from the Interstoff exhibition, cater-ing for high fashion, at one end, to Techtertil, its annual fair for the technical textiles market, at

More recently, the fair has identified information technol-ogy at a potential area for growth Infobase, the exhibition first held in 1965, is still adding exhibitors and visitors, but the tipping ever so slightly away from the savers towards the spenders. Well travelled, well dressed, and well fed, Germans have one of the highest living standards in the world.

But the same inherent discipline, admirable to some and infuriating to others, that has brought about the country's steady post-war prosperity inhibits the development of runsumer boom based on credit.

As the rising D-mark puts a brake on exports and fureign, especially US pressures, for more economic stimulation persist, the German Government fair thinks it is on to a winner.

Specialization has done little harm to the bottom line. The fair notched up a healthy DM160m turnover in 1986 - a year in which the trowd-pulling IAA was not on - which was some 25 per cent up on 1994, the

rchitect, that will be the tallest uilding in Europe.

The tower is the most obvious el of foreign interest. More than ign of the DM800m the fair has half of last year's 25,500 exhibitors came from abroad and some 40 per cent of all US and Asian exhibitors who came to

Services industry

Room for entrepreneurs

FOR MANY it was the last shops, of course, can open out-straw. "They don't even do this side normal bours on a rote ba-in Calvinist Switzerland", splut- sis. tered ove treate businessman. Most of his fellow travellers

agreed wholeheartedly.
The reason for the fors was The reason for the fors was the decision by a Frankfurt appeals court earlier this month forbidding all shops at the city's 'international airport, the second higgest in Europe, to sell goods outside normal shopping hours to anyone but passengers holding a valid boarding pass. Failure to observe the new rules could result in fines of up to DM500,000 or six months' imprisonment.

to DM500,000 or six months' imprisonment.

The incident once again threw light on the surprising underdevelopment of many German arvies industrial despite the country's undoubted provess as an industrial power. Retailing is one of the best examples. Ever since the country's shop closing law came into force in 1956, German stores have had to observe a business strict regime. Doors can open strict regime. Doors can open anytime after 7am, and some shops only start business appre-ciably later, but all have to shut by 6.30 during the week and by 2pm on all but one Saturday a

month.

Needless to say, the law is full of loopholes. Petrol stations, for instance, can stay open longer, provided they do not sell a range of goods beyond motorists' immediate requirements, though many take that definition to sell much more than just fan belts and wiper blades. So do newpaper kioaks, which are also allowed to stay open at different hours. And chemists

WEST GREENANY is perceived

as a country of savers rather than spenders. Financial cau-tion is deeply embedded in a country where wheelbarrows full of money were needed for the simplest purchases just

Today, inflation is negligible,

but anxieties about its accelera-tion remain. Like the Swiss, Germans have a well developed sense of Angst about anything that smacks of economic insta-

Even so, the balance has been

tipping ever so slightly away from the savers towards the spenders. Well travelled, well dressed, and well fed, Germans have one of the highest living standards in the world.

Over 60 years ago.

But there some strangar anomalies too. Take the special rules regarding retailers in spatowns or some shops in rurul arceas, which can sell certain items on Sundays.

Until the Frankfurt court rules the strain of the strain of

ing shops in airports and rail-way stations were also exempt from the strict closing law on the grounds that they served the special needs of travellers. However, it was widely recognised that many buyers were not genuine passengers at all, but just busy locals making use of the chance to shop outside

normal hours.
The Frankfurt case has raised the temperature and focused the attention of groups lobbying for and against changes in hours back onto the debate over late-night opening one evening a week.

Changing the law accordingly was one of the agreements struck by the liberal Free Democratic Party and the majority Christian Democrats after the federal elections in January. According to the deal, the shop-closing law will be amendod in order to let stores stay
open until 8.00pm or 10.00pm
one night a week.
However, opposition to even a
short weekly extension has al-

ready built up strongly as a re-sult of an unlikely-seeming alli-ance between trade unions and certain retail interests. The unions' hostility it based on social grounds. They argue that members - often women - will suffer through longer hours

with more to come, have helped boost purchasing power, as have lower fuel prices. Retail sales in July were 4.5 per cent higher than the same month of

and will have less free time and their own workers block as with their families. Moreover, extension in hours, which other the unions claim that there is no real demand in Germany for longer shopping hours.

The Deutsche Angestellten-Gewerkschaft (DAG), the more moderate of the two unions representing shop and clerical workers, is lobbying hard and concentrating on persuading the public that hours should not be changed, as shoppers have little to gain.

At the Gewerkschaft Handel, Banken und Versicherung (BBV), the other union in-volved, opposition to longer hours is almost an article of The alignment against longer

The alignment against longer opening is more complex on the retailers' side. Surprisingly, the opposition includes some of the country's biggest department store groups such as Kauthof. According to Mr Wulf Ridder, the company's spokesman the store does not think that there is any real most to stay open.

is any real need to stay open longer. Others point to the large number od shops outside imme-diate city centre areas which close early even on those once monthly Saturdays when they could stay open longer if they

wanted.

Undermeath the rhetoric, however, probably lies another argument, based more on competitive fears than proven facts. Many large retail chains, which, under Germany's co-reponsibility system of management, share decision-making with workers' councils, are probably straid they will lose business to competitors if the laws are changed

sports, culture, and Do-It-Your-self.

in the last few years. In German households, a big part of the budget is set aside for holidays.

Germans have also been

me snappier dressers

Consumerism

Spending power

given a boost

stores are able to push through. The strongest support for liberalisation comes from German-

y's fast-growing competitors like the Asko and Massa discount retailing chains, which are often in groen-field sites.

Even the Co-op, traditionally very closely associated with Germany's trade union move-ment but which is now very much a profit-orientated pri-vate company, is in favour of at

least 'an experiment' in longer

hours.
"We would like a small liber-alisation of, say, one evening a week", says Mr Bernd Otto, its chief executive, although he is not entirely convinced of the

Tou have to see it in terms of the German character, he says.

In winter, the evenings are too an winter, the evenings are too cold to go off shopping, and there are psychological reasons why Germans have not adopted the idea."

the idea."

The Co-op is in a slightly unusual position. It has a large number of city-centre stores and smaller suburban supermarkets, while it has more recently been developing some very large green-field shopping and do-it-yourself sites, which are expected to benefit from any liberalisation most strongly.

Hence Mr Otto's ambivalence. But the rules should at least be relaxed a little to allow each store to try longer hours and make up its mind for itself, he

Germans are about the most travelled people in the world, aided considerably by the strong D-mark. In April-July, foreign holiday spending was 12 per cent up on the same months of last year, the Bundesbank anid.

Holidays are sucrosanct," says Black. "People especially such the san at Christmas. "Accustomed to long holidays, Germans are travelling increasingly further afield to Sri Lanks, Mauritius, and south-east Asia. Still, it can sometimes be galling to find that a German-booked holiday has cost considerably more than one booked in Britain.

year after a record 1986. Altogether, there are now some 2km cars in Germany, a fifth more than in 1960, making it ever harder to keep up high speeds for any length of time. These days, congestion is becoming more common than the open road.

Sixty per cent of Germans named car driving as a free time activity in a recent poll. This was less than the proportion naming music, television, and party-going as favoured pursuits, and only slightly more than walking in a country where the great outdoors is such a strong part of the national enture. But it was far more than sports, culture, and Do-It-Your-Along with the steady rise in onsumer outgoings has come an increase in advertising spending. Last year, net media income from advertising rose by 6 per cent to DM 17bn. This year, it is expected to increase by a further 4 per cent.

indee creativity in one country



Health Foods

A market for insiders

HEALTH FOODS, for a German. is akin to metaphysics. To buy a carrot drink in Germany you do not look for a straight-forward health food shop, but for a Re-formhaus or a Naturkostladen Nature diet shop! The label on the bottle will not just list the ingredients, but describes their goodness with poetic rapture and their process in the use of clined sugar."

refined sugar.

The group is increasing in danger of being by-passed by the ever more important ecological movement. The philosophies of environmental groups and Far Eastern gurus have largely taken the initiative from Neuform on matters of diet and food production. This accounts for a growing number of so-called Naturkost shops, popularly known as bio-shops. Shopping is an act of purifica-

tion. Just by reading all the promised beneficial effects, Church, riddled with sex. Traditional followers like the Kneippists believe in water and herbs, while the post-war Birch-More recent trends are linked. for example, to a dentist called Schnitzer, who does well out of year old guru of alternative medicine, M O Brucker, who runs a highly successful clinic and repeats the same message

in a dozen books: eat less sugar, more raw food.

"Anthroposothy" is what tens of thousands of followers of Rudoif Steiner's cosmic theories believe in and they run schools, hospitals and food, pharmaceu-tical and cosmetic concerns "in harmony with nature." The Sev-Though wit and humour are enth Day Adventists do likenot wholly absent in German advertising, the entertainment value is far lower than in the US or the UK. It tends to be a little more earnest," says Black, though noting that it is hard to land tabacca, avaidance of feed essed foods.

All these factors combine to make the German health food market an affair for insiders,

attle trends and well-informed about conflicting interests and

trade controls.

The leading umbrella organisation is the Neuform group. It sation is the Neuform group. It was founded in 1930 as a merger of two previous trade associations, and moved its headquarters in 1953 from Berlin to Bad Homburg near Frankfurt. Membership is given to owners of approved health food shops after the seath training courses. thorough training courses, pro-vided by the head organisation Shops are then allowed to offer goods labelled with the distinctive Neuform logo. They are produced by firms which are under contract to adhere to the reform principles of the associ-

What began as a venture by a few idealists concerned about people's health last year topped the DM1bn turnover mark, pro-duced by 1,300 members who own a total of 1,300 Reform-

Food accounts for one half of that turnover, special diet foods for 14 per cent, berbal medi-cines for 21 per cent and natu-ral cosmetics for 30 per cent. Although the Reform shops are individually owned, the Neu-form list of goods (numbering 3,500 items) has tended to make them look uniform and to encourage chain shops in some towns. The Lettow shops in Bonn are clearly bent on fast Bonn are clearly bent on fast selling, appealing to a mass market with discount offers and catchy displayed techniques. Others like Heidi Mangold in Frankfurt take pride in hand-crafted wooden shelves and a passionnte - some would say zealous-belief in a good cause.

In 1982 the bio-shops founded their own trade association and their own trade association and they have branched out into wholemeal bakeries, "biologi-cal" paint and solvent factories. Most of the shops maintain a staunchly ideological atmo-sphere, but Eco supermarkets like the recently opened "Alna-ture" in Monpheir seem to he tura" in Mannheim seem to be up and coming. With every envi-ronmental calamity from Chernobyl to the Rhine disasters. driven a step further in its urge for a natural way of life - with implications well beyond the sphere of the original Reform-

Gunter Kows

7 million information requests a day take some handling. Our computers have got it taped.

symbol. It means pe dom, hence people's about speed limits."



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Coal industry

Painful slimdown looms ahead

just taken its first few brave steps towards re-organising and trimming down one of the coun-

try's most expensive luxuries coal mining.
Once politically untouchable
because of their huge production efforts after the war and
because of their large numbers,
West Germany's coal miners

West Germany's coal miners face a bleak future.

Up to 30,000 miners, 18 per cent of the total workforce, may lose their jobs in the next few years. The Government warned this month that it cannot continue to maintain subsidies to the industry at this year's DM10bn level. Mr Martin Bangemann, the Economics Minister, fumes that overproduction in the mines is running at about 15m tonnes a year, or more than 15 per cent of output.

Coal in the main German fields on the Ruhr is also get-ting more expensive to mine. The seams dive deeper as the miners move north. The Government, which pays the difference between what it costs to bring West German coal to the surface and the international market dollar prices has simply had

nough.

It costs about DM260 per the tonne to produce coal in the Ruhr, and some South African coal is on the market for under DM100 a tonne. As the D-mark has strengthened against the US dollar the problem as be-

come much worse.

Mr Bangemann has not yet said exactly what will be done, but he probably has in mind dis-cussions between the Govern-ment, unions and employers similar to those which recently



"There are precious few old people left in West & to retire. In some mines, the average age is 29"

decided to cut 34,900 jobs in the steel industry by the end of 1989.

Bonn is able to set about in-dustries like coal and steel with some gusto because the accompanying big job cuts tend to affect only states where the oppo-sition Social Democrats are in power. Nevertheless, the coal debate will be bitter.

For a start, electricity prices may go up. In addition to the state meeting the price difference so that German users continue to buy German coal, the imported oil. This "coal penny" country's utilities have agreed to buy around 45m tonnes of

A cut in subsidies could by 1995.
threaten this and a second indirect subsidy to the utilities - quickly as possible to encour-

a levy on electricity bills, to compensate them for burning German coal instead of cheap imported oil. This "coal penny" is currently 7.5 per cent of elec-tricity bills and the Government wants to cut it back to 4 per cent

age lay-offs even though it has some time available between now and 1990 when the next tion in North Rhine-Westphalia, the main coal-producing

Chancellor Helmut Kohl's Christian Democrats have taken Christian Democrats have taken a hammering from the Social Democrats in the past two elections in the state, but great store is being put on the 1990 campaign. Mr Kohl recently appointed Mr Norbert Bluem, his Labour Minister, to lead the CDU in North Rhine-Westphalia and Mr Bluem knows that if he wins, he stands a good chance of succeeding Mr Kohl one day as head of the party and as Chancellor.

But if the slimming process in the mines gets messy - and the normally obedient coal miners' union has threatened to make it union has intreatened to make it so - in the next few years Mr Bluem is going to have a tough time of it. There are precious few old people left in the min-ing industry to retire off early and in some mines the average

No doubt the political solu-tion will be to establish a price with the unions. Bonn got off relatively lightly in the case of the 34,900 steel jobs - that is go-ing to cost it only DM300m with the Leander and Brussels, it is hoped, producing another DM300m. But the state is much more deeply involved in coal than it is in steel and the redundancy and retraining bill will, eventually, be correspondingly higher.

The Daimler-Benz shake-up

Reuter at the helm

just after he had been named as the new chairman of Daimler-

the new chairman of Daimier-Benz in a long-awaited board shake-up.

Maybe not, but it seemed al-most like that to many. For Daimier is no longer just a mo-ter manufacturer, and the carefully created new leadership structure took account of the far-reaching changes under way at West Germany's largest in-dustrial concern.

Renter's desire to play down the import of the boardroom moves was understandable, however. For much of this year, the Stuttgart-based group had hardly been out of the head-lines. Employees of the diversified motor group had been clearly ansettled

When the moves were finally announced, there was a great sense of relief at Daimler. Wer-ner Breitschwerdt, chairman tainly sad for a man responsible for such successes as the Mer-cedes 190 Baby Bens.



West Germany's largest

pany which has just launched a US expansion drive with a \$650m takeover of General Tire. Werner did not immediately accept the invitation to join Daimler, feeling he still had plenty to do at Continental. Carl ner Breitschwerdt, chairman daines 1963, was a man who knew all there was to know about all there was to know about cars, but lacked the vision, strategic insight, and self-confidence to represent his company in all its new facets. Even so, the manner of his going was certainly sad for a man responsible the 1970s. The sorry I was left the latter that the state of the confidence of the co holding the short end of the stick."

cedes 190 Baby Bens.'

These days says Herbert Lacy, head of the Daimler works council and a member of its supervisory board, the management is faced with a completely different task. The head of Daimler needs vision, as well as strategic and analytical qualities. Here, we have more faith in Mr Reuter than was the case, for example, with Mr Breit, schwerdt."

stick.'

If Werner turns round the problem in an industry suffering from over-capacity, he could well be the next fauther than when Reuter can build a high profile in this job in the next few years, or the opposite could happen," notes Lucy. "We shall decide in five years, or whenever Reuter retires, who takes over the leader-ship."

chwerdt."
Lucy's views are important, ship."
Whoever is then chosen will Lucy's views are important, because the unions had always hacked Reuter for the top job. In 1983, they had been outvoted on the supervisory board, then headed by Wilfried Guth of Deutsche Bank, which owns 28 maker, if has branched into per cent of the shares. This time, it was Alfred Herrhausen, co-chairman of the bank, who guided the supervisory board into approving a restructured board, with 59-year old Reuter at its helm.

The other main feature of the board shifts was the appointment of Helmut Werner, one of Germany's most prominent managers, to ran the truck division. Werner, 51, was chairman of Continental, the highly profitable but once alling tyre com-

the shots in the boardroom.

At this stage, it is still unclear where Daimler is headed. As explained by Reuter, the three acquisitions will help Daimler in two main ways: they will give it a closer involvement in the fast-moving developments of electronics and new materials in vehicles and they will provide new areas of opportunity, if growth in the vehicle industry

stalls in coming decades.

Reuter emphasises this will all be a very long process. We have got a fairly clear idea now of where the main areas of concentration are, but here too is a development process that will never end. Perhaps the busi-ness areas we now see as the main ones will not be so in 10 years and other people will come in and develop something

Son of a famous post-war mayor of Berlin, Reuter has had a varied career - from mathematics, physics and legal studies through spells with Ufa films in Berlin and Bertelsmann television in Munich to Daimler, where he rose to finance direc-tor before becoming chairman. Unusually for a German executive, he is a member of the So-cial Democrats. This has not harmed his career, but it has certainly not speeded it up, ei-

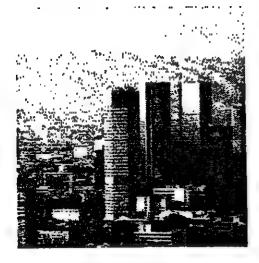
ther.

Reuter will need all his intellectual powers - he is fond of quoting thinkers like Karl Popper and Immanuel Kant - to take Daimler successfully into the 1990s. Apart from the obvious risks of branching out into elec-tronics, household goods, factory automation, aerospace, office equipment and defence through the three acquisitions, there is also far more potential for public criticism.

In the past, criticising Daim-ler was seen as almost tanta-mount to insulting a monarch. But the group has been sniped at constantly in the past couple of years. Apart from comment over the impending board moves, it also failed recently to gain approval for a new vehicle test site because of local opposition. Perhaps most painful of all, there were quality prob-lems on some models.

Daimler has put all that be-hind it now. But its involvement in the defence sector or in South Africa means it will never be far from criticis

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A tame approach

THE ARRIVAL in Bonn at the through the big white building end of World War 2 of the Fedon the Rhine. Until now, that is, eral Government has not been. In September, a Commission of any architectural worth to appointed by the Government the city at all. Almost all the more than two years earlier to government buildings have look into ways to liberalise the been put up grudgingly and country's telecoms market prowithout care. Bonn was not supposed to be the capital for long, by British or American standard and the worst of the lot dards of deregulation, they is supposed to be the worst of the lot dards of deregulation, they

is an enormous white block that were nevertheless sits on the banks of the Rhine, just a little way downstream of some 47 recom from the Bundestag. This is the Bundestaglished two stood out. Fir

posts and telecommunications monopoly in the West. It employs more than ½m people, invests around DM20bn a year, and turns over nearly DM50bn a year. Nothing moves down a West German telephone wire, nothing is connected to the ends of that wire, without the Bundesons's approval.

of that wire, without the Bun-despost's approval.

For years, that approval has been hard - in many cases impossible - to get. The monopoly covers everything except the supply of facsimile machines and even then it has claimed a predetermined market share for itself. The Bundespost has been the only transmitter and the only supplier of equipment. Producers sell to it and it leases to consumers.

Very few foreign telepho modems, computers or telex machines find their way into West German offices or homes

two stood out. First, that the Bundespost retain its transmissincespost retain its transmissions and switching monopoly but that private enterprise be allowed to offer equipment and network services to the public. Of course, the Bundespost would be allowed to continue

doing so, too.
Second, and in some ways politically more important, the Commission recommended that the operations of the postal network, which loses money, be separated from the telecoms business. Cross-subsidisation of the postal service by the tele-phone service should gradually

That terrifies the three postal unions most because fewer than half the Bundespost workforce, around 200,000 people, work in telecoms but they pay the wages for the rest. Last year the postal service was fed some DM2.2bn

The Government has said it plans to begin implementing

some watering down as the pro-posals pass through Cabinet and Parliament - in the middle of next year. It is a prospect that must alarm some people in the Bundesport headquarters.

to teach a dinosaur to do the Bossa Nova. The Bundespost has never had to compete. Mar-leting of services and equip-ment has been confined to an-

Under the Commission re-commendations the Bundespost would police its conduct in the open market itself, which is probably crucial if anything is ever to be done. An interfering independent authority, such as Britain's Oftel, would be very busy because potential network service operators do not believe that the Bundespost will charge itself as much for the use of its itself as much for the use of its

lines as it will charge then Senior Bundespost officials have never made much secret of their disapproval of telecoms deregulation in the US, Japan and Britain and their commitment to what Bonn seems about

Peter Brecs

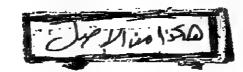
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WEST GERMANY 11

Profile: Prof Erich Staudt

Lemmings can't innovate

NOT MANY professors liken themselves to a court jester, but Prof Erich Staudt suggests the

similarity. In the days of the king, the jester was there to make everyone laugh. But he was also the only one who could really say the truth, says Prof Staudt. I think it's not such a bad com-

The professor, head of Bo-chum University's Institute for chum University's Institute for Applied Innovation Research, is known for his caustic comments about West German research and industry. "State subsidies for high technology lead to peaks, but then there's no connection," he says. "The Ministry (of Research and Technology) talks only of more high technology, but that doesn't pay off. There's no economic context any more if you're far ahead."

Prime examples include West

Prime examples include West Germany's billions of Deutsche-Germany's billions of Deutsche-marks invested in atomic ener-gy research, or chemical compa-nies' research for new synthetic fibres, says Prof Staudt. He sug-gests that the latter only pay off when smaller firms discover

when smaller firms discover such new fibreglass materials make a better beercase. By stressing the use of high technology, rather than striving to be first with a new microchip, Prof Staudt finds himself at odds with research and development officials. "What's Japan going to do with all their megabit chips? Two years later they are almost giving them to us as gifts," he says of the fierce international competition to produce more powerful semiconductors.

petition to produce more powerful semiconductors.

Not surprisingly, he finds the widespread discussion in West Germany about a supposed widening 'High Tech Gap' between the country and the US and Japan as looking the wrong way at the wrong goal. It is better to ignore high tech trends and concentrate instead on new untapcentrate instead on new untap-

ped areas, he suggests.
The Government's Ministry of

- 1200



mings into saturated market areas, producing new over-capacitim already evident for such
products as butter, steel and
personal computers."

"Our technology policy makers love to base their policies
on this High Tech Gap. And
when I'm in Japan, businessmen put their arm around my
shoulder and talk about 'poor

world's leading export nation (1986: DM526bn). But the outside pressure from developments in the US and Japan is necessary since without them nothing happens."
Prof Staudt's institute, finan

cially supported by Nordrhein-Westfalen, employs 14 research-ers to conduct its surveys and advise West German companies. One of today's most frequent requests is for help in retraining personnello meet the demands of new technology. Considering the heavy concentration of Ruhr area steel and coal companies around Bochum, the institute has more than enough to

For all his pessimism about government-led research ef-forts, Prof Standt remains optimistic about West Germany's fu-ture. The virtual stop in hiring by the 13 national research cenby the 13 national research cen-tres, 59 Max Planck Society in-stitutes and 34 Franhofer Soci-ety institutes which together account for 25,000 staff jobs, will be good for small to medi-um-sized firms, he suspects. With the government and hig industry-sponsored resear-cheenires "clogged up, we now have a latent technological po-tential developing," says Prof

tential developing," says Prof Staudt. That makes me optimis

of its own.

Then all this 'Gap' discussion agree with you doesn't mean will end. And our extreme export dependence would also be reduced," argues Prof Staudt.

Deanis Philips



Spending on research

The push for co-operation

NO COUNTRY in Europe matches the spending on research and technology of the West German government and industry.

Helping West Germany become the world's leading export nation, the multinational car, chemical and machine-tool companies regularly invest 5 to 10 per cent of their revenue in research. This year such private to the second as part of America's planned space research will to the end of the century could come to more than DM 30hn.

The question is is it smart to concentrate so much money in this fashion? Take Mr Rember. In addition to the money, the three linked space research, programmes would also require research. This year such private R&D efforts are expected to to-

Raid efforts are expected to to-tal almost DM36bn.

The national government paid for another DM12bn worth of re-search, three-fifths of it for the Ministry for Research and Technology, the rest for the De-fence, Education and Environ-ment ministries. But Bonn offi-cials realize that their efforts cials realise that their efforts alone cannot match the spending of the US or Japan.
The scale of today's research

and technology requires co-op-eration between companies and countries for areas such as aviation, space and nuclear power," says Mr Josef Rembser, director of international co-operation the Ministry for Research

and Technology.

Even then, the resulting endproduct 'only pays off if you
have a large market. So the
push for co-operation is stronger for Europeans than for America or Japan, says Mr

That "push for co-operation"
will soon be evident as the Common Market decides on how to
fund future plans of the European Space Agency (ESA). West
Germany plans to increase government spending on space research next year by 10 per cent to DM1.2bn, one-sixth of the Re-search Ministry's total 1988 bud-

ESA is pushing for its manned space flight programme to in-clude the bigger Ariane 5 launcher rocket and Hermes-shuttle space craft plus Colum-

"The question is: is it smart to concentrate so much money in this fashion?" also Mr Rember. In addition to the money, the three linked space research, programmes would also require large numbers of scientists and researchers, perhaps limiting research in other fields, he points out. It seems likely that West Germany will support the ESA long-range space programme for all three areas, but limit the budget to a more affordable level, Mr Rember suggested.

We could change the programme to adapt to the financing available within a certain time frame. This might mean taking 30 years instead of 15, or double the time ESA envisored.

west Germany's Research and Technology Minister, Mr Heinz Riesenhuber, has said that 20 to 25 per cent of his ministry's budget could eventually go on space research programmes. The idea does not appeal to many of West Germany's top in-

dustrialists.
The Federation of German Industry in Cologne has warned against increasing funding for outer space research if it means limiting research funds for West Germany's medium-sized companies. Mr Heinz Harnisch, research director at chemical

Realising the limits of nations an EC willingness to work to-

More effort must be demonstrated by these countries own industries and governments before the EC tries to paper overthe R&D gap with its funds, suggests Mr Rembser. The European Community is not a replacement for a minimal national research and development policy, he says.

Som or another, he says. Som wide-ranging and expensive research gearch questions, dealing with the Son Carrier of Carrier or another, he says. Som wide-ranging and expensive research gearch questions, dealing with the Son Carrier or another, he says. Som wide-ranging and expensive research questions, dealing with the says.

development policy, he says.
On the other hand, West German officials strongly support programmes such as Esprit, which has led to the formation of hundreds of European re-search groups. The next five years should stress such cross-border efforts, says Mr Remb-

research director at chemical giant Hoechst, argues that funding space research is a roundabout way to benefit German industry.

The Government's reasoning that space-based research finding also have other applications was described by Mr Harnisch as a somewhat characteristic of the space o The EC money is a stimulus

al financial support was the main reason that West Germany, despite its avowed support for international co-operation, adamantly opposed a majorincrease in EC funding for Community-wide research programmes in 1967-91. German officials first want to see more effort from governments to improve national R&D spending, says Mr Rembser.

He sets down a stack of Research Ministry studies on the conference table in his office. One survey shows West Germany's total R&D spending is 2.9 per cent of its gross national product, followed by Britzin, France and Holland in that order. At the other end of the linear graph are Greece, Portugal, Spain and Ireland, each spending far less than 1 per cent of GNP on private and public research.

More effort must be demonstrated by these countries' own industries and governments before the EC tries to paper overthe R&D gap with its funds,

Science and technology is al-so used to anapeinternational politics, such as greater co-op-eration between West and East

pointes, such as greater co-operation between West and East. Germany, as well as with the Soviet Union and other Eastern bloe countries, says for Rembser. This was one of the first areas mentioned following restoration of diplomatic relations with Albania earlier this month, he noted.

The basic interests of West German industry - trying to stay competitive by turning out high quality products from high productivity factories - have helped the country create leading research and development teams in several areas. The trick now is to mesh these interests with the other European R&D efforts to produce a stronger European Community.

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Merchant shrines to art

TRAVEL WHERE you may in Germany, you are never far from a masterpiece - of art, that is. Praise be to the princely courts of the eighteenth century, and the bourgeois philan-thropists of the nineteenth, for having founded countless public collections. Blessed also be today's federal states and their cultural sovereignty for contin-uing to build museums on an

impressive scale.
In Munich, dreams of Italy and Greece pervade the muse-um architecture of King Ludwig I. The Koenigsplatz is his Par-thenon, housing the delicate temple sculptures of Aegina and classical vases behind Corinthian porticoes.

The war-ravaged Alte Pinako-

thek treasures his German and Italianzold masters and a plethora of voluptuous Rubens can-vasses, while opposite the Neue Pinakothek, now rebuilt in post-modern style, stores deep-spirited 19th century pictures of the craving for Italy and the purer Middle Ages which was encraving for Italy and the purer Middle Ages which was engrained on the German soul for so long. If, in turn, it makes you crave for a whiff of English air, note that the same gallery is now the only one in Germany which has in recent years built up a respectable collection of Gaincharmanth Parmalla et al. Gainsboroughs, Reynolds, et al.
Berlin, ever the arch rival of Munich, built neoclassical art temples in rather sterner Prussian fashion, though not many survived destruction. Most of the art treasures did, however, and they will leave you in a daze as you wander from the Olympian shrine of Pergamon on East Berlin's "Museum Isle". to Van Eyck's Madonna in the Cathedral or Titian's Venus and the Organ Player' in the Ge ma Idegalerie in Dahlem.

The great merchant cities are veritable storehouses of art. Frankfurt lines up splendid museums slong the banks of the river Main, from the new and to the "Staedel", founded in 1816 by a banker, unsurprisingly. At the top of the stairs Goethe Tischbein's portrait, by now a kind of icon of Frankfurt. In the centre of the city, Goethe's birthplace, though entirely rebuilt, still manages to convey a spirit of the age, especially if you extend your visit to the atyou extend your visit to the at-tached gailery of the art of the Goethe-age. The splendidly the-atrical "Nightmare" by Fuseli reflects the "Storm and Stress" which Goethe left behind when he settled at Welmar. For an insight into the classical epoch inspired by the poet you could travel to the far too little known Schlossmuseum of Oldenburg, where Tischbein in the service of the granduke out together an

NORTH SEA NETHERLANDS **●**Dortmund EAST GERMANY BELGIUM CZECHOSLOVAKIA UXEMBOURG FRANCE SWITZERLAND **AUSTRIA**

ic altarpleces of the Cologne German Nazarenes and En-school and many delightful gish Preraffaelites. Hamburg's sel has some of Rembrand's Dutch landscapes, and after Kunsthalle is the place to go for most darkly glowing canvasses Ludwig, who packed it to the an insight into Northern Ro-roof with Pop art and Neus manticism, found in foggy sea "Portrait of a Dutc". ic altarpleces of the Cologne school and many delightful gish Preraffacilites, Hamburg's Dutch landscapes, and after Kunsthalle is the place to go for Ludwig, who packed it to the roof with Pop art and Neus wilde. You might recover your and mountain pictures by Castamina on a boat trip down the Rhine to Duesseldorf, where the ponderously named State Collection of North Rhine Westfallers most celebration of north Rhine Westfallers and the director, Alfred Lichtwark, and place of modern museum commissioned Vuillard and

chartz, 19th century collectors gate in Neuss, where collecting centred on palatial residences of seemingly innumerable Goth- in the 1950s concentrated on housing rich collections.

is not only sports a much debated piece of modern museum
architecture, but also a handpicked cross-section of modern the still pleasant Aister river.
classical masters, from choiciest Gauguins and Klees to a
gripping wartime-vision of Max
beckmann. A visit to the similarly orientated Folkwang Museum in Essen could logically
transuring the luminous Resurseum in Essen could logically
transuring the luminous Resur-

of the granduke put together an array of Italian late baroque seum in Essen could logically masterpleces. From these he extracted an anaemic style of his own, exemplified in a picture of strong-bodied hunters called The Prowess of Man'.

Cologne, never short of civic benefactors, now has its hypermusaum by the assistance or the Clemens Sels and property of the granduke put together an array of least property of the granduke put together an array of least property of the granduke put together an array of least property of the granduke put together an array of least property of the granduke put together an array of least property of the granduke put together an array of least property of the granduke put together an array of least property of lating the luminous Resurrection of Lazarus' by Tintoretto.

The former court cities of Kassel, Darmstadt and Karistologue, never short of civic benefactors, now has its hypermus array of logically of the collection of Lazarus' by Tintoretto.

The former court cities of Kassel, Darmstadt and Karistologue, never short of civic benefactors, now has its hypermus by the granduke put in Essen could logically treasuring the luminous Resurrection of Lazarus' by Tintoretto. museum by the cathedral instance, or the Clemens Sels and provincial governments, named after Waliraf and Ri- Museum next to the old town but they maintain their lay-out

over with woodwork, porcelain and other crafts and in the Kunsthalle you will be amazed to find an impressive modern classics collection financed from the proceeds of the state initery. Darmstadt, which has on the Mathildenhoeke something of an art noveau city, also keeps de-lightful artefacts of that floral period in its Landesmuseum.

Art Nouveau carved a corne out of the baroque chess board pattern of nearby Mannheim for a fountain square and the Kun-sthalle, where ,in what has been a necessarily over-selective art trail through Germany, you can steal a hushed glance at Co-sanne's "Smoker" and Manet's coolly observed "Execution of Emperor Maximilian of Mexico"

The German language

Spread of Deutschlish faces ein reversal

WEST GERMANS have long been used to an invasion of for-eign words into their language and even take a certain pride in mestic and an international it. Street-corner stores selling front it reflects not so much linbread or wine these days are considered a great deal more chic if they are called a Brotshop

or Weinshop.

An executive is now called on to managen his business and knows only too well that he will become successful as der Boss only if he gets right das Marketing. If he runs into em Setback it will be very little use simply telling der Board to use the somewhat flippant Anglicism in ever greater use, that he is 2017y.

He could simply end up fired.
Is the tide, however, now starting to change? There is as yet no hint of any official drive against foreign words and idi-oms of the kind sporadically

woken up to the danger that, with the progressive erosion of the importance of technical the language, fundamental subjects in school curricula, parts of the German cultural education in the contributed to falling the base on the contributed to falling the contributed to fall the contributed to fall the contributed to falling the contributed to fall the contributed to f parts of the German cultural edifice are being chipped away.

In the immediate decades after the war, that did not matter
so much. Indeed, it can be said
that Germans opened their
arms to the new foreign glossary, above all Americanisms, to
portray a mood of modernism
and help wipe away the overblown and finally hideous nacation reforms, it was thought in

this has contributed to falling
grammes.

Mr Witte says that, after the
war, German diplomats and
businessmen abroad fell over
backwards to speak other peoples' language. The Germans of
my generation had to prove that
we were human beings like anyone else, not monsters. This repulsion against chauvinism was
perhaus overdone.

This has now changed. Mr bother about the language, says Barthold Witte, the urbane Mr Witte. The Government is head of the cultural policy de-partment of the Foreign Minis-try, says that growing interest in the preservation of the German language reflects a process of

The Government's campaign against the deterioration of the language is fought on both a domestic and an international front. It reflects not so much linguistic pedantry as the belief that a thriving language with a foothold abroad can be used as an instrument of foreign policy. On the one hand, officials like Mr Witte are alarmed at the pro-

The Bonn Government has realised that large parts of German culture are being chipped away

launched, with very little success, by French governments in recent years.

The success of the s But the Bonn Government has lic.

Partly 2 result of the increas-

blown and finally hideous na-tionalism of the Third Reich. cation reforms, it was thought in the 1970s that one didn't have to

Foreign Ministry's DM850m annual cultural budget, half is spent on promotion of the language through a variety of meth-ods ranging from support for schools and specialised institutes to film and book pro-

grammes.

Mr Witte says that, after the war, German diplomats and businessmen abroad fell over backwards to speak other peoples' language. The Germans of my generation had to prove that we were human beings like anyone else, not monsters. This repulsion against chaptings my

perhaps overdone." Now that the Germans have regained self-confidence in re-cent years, there is a feeling that "German has its place in the world too."

is limited by the country's fed-eral structure which gives the Laender control over education. Fringe elements in the Greens, rediscovery of national con-sciousness'. But a conference of Culture give support to the Govern-Ministers from the Laender fi-ment's policies of trying to stiff-

15m young people are estimated to be studying German in schools abroad, and L4m high school students. In 1979 the re-

school students. In 1979 the respective figures were 16m-17m and 1.2m.

The Foreign Ministry classifies as falling, stagnating or unchanged interest in learning German in most important industrialised countries - although there does seem to be a modest German language revival in some southern European nations such as Spain, Portugal, Yngoslavia and Turkey.

Yugoslavia and Turkey.

The new rapprochement between East and West Germany, though too late to enable German to become an official language of the United Nations (a chance missed in 1973), could open up new intriguing possi-bilities of co-ordinating promotion of the German language

Meanwhile, it is up to the poli-ticians to give a lead - and their example at the moment is not very encouraging. The new joint military entente, for instance, between Prance and West Germany is doubtless of great sig-

But President Mitterrand and Chancellor Kohl communicate only through an interpreter and their top officials speak to each other not in either French

Peter Ludwig is Germany's most conspicuous art collector

The chocolate tycoon with a controversial taste

A MAN whose presence it is di A MAN whose presence it is dif-ficult in overlook, in more senses than one, Peter Ludwig is, at 62, Germany's most con-spicuous art collector. With his stout and portly figure and mildly patronising manner, he looks rather like the archetypal. Wirtschaftsounder magnate. In-deed, he is the head of a leading onfectionery concern.
But in a dozen art museums in

Germany, including some in the East, as well as in Basic and Vicass, as went as in basic and vi-enna, Mr Ludwig is there with gifts loans and foundations. Co-logne has a vast new museum named after him, right next to the cathedral.

The centre of his operations is Aachen where, needless to say, there are museums bearing his name. Mr Ludwig was in fact born in Kobleus in 1925 into a family of industrialists with links to the Klockner steel dynasty, and he studied the histo-ry of art in Mainz, graduating with a doctoral thesis on Picas-

when he married one of his fellow students, Irene Mon-heim, in 1951, she brought with heim, in 1851, she brought with her the wealth of a family of chocolate manufacturers who owned the Trumpf factory in Aachen. The couple shared an interest in art collecting. Indeed, Mr Ludwig likes to talk in the plural and to stress his and his wife's academic background as a bound basis for art collecting which we always do jointly." ing which we always do jointly."
The Aachen factory meanwhile grew into an international concern which both families sold to Jacobs-Suchard last year, with the couple retaining the German brands in 100 per cent ownership. Currently the renamed Ludwig Schokoladen GmbH has a turnover of DM550m and about 1,200 cm-

ployees.
The Ladwig art concern grows
by hundreds of objects each by hundreds of objects each year, financed from the family fortune and presumably also by same of the company profits, but Mr Ludwig declines to specify any sums. That habit seems to have raised suspicious with the fiscal authorities - an investigation for possible tax assessments. tigation for possible tax evasion

Otherwise he is only too When these pictures went on pleased to talk at length about show, Cologue negotiated with the history and spirit of his collector's drive. There is none of the lion's share by promising to the lion's share by promising to



"And of course, my financial means bear no comparison to theirs," he says.

The collection began conser-

vatively with ancient pottery, illominated manuscripts, pre-Columbian figures and classic porcelain. In the 1960s the Ladwigs discovered pop art for themselves and brought back from New York canvasses by Rauschenberg Johns, Liechten-stein, Wesselmann and others. As the list of benefactions

grew, Mr Ludwig was showered with civic medals and honorary degrees. But opposition rose up with a vengeance when he suggested creating a 'National Art Foundation', mingling his collection and public money to assist museum funds. Fears by museums that Mr Ludwig night force his cultural laste on them museums that Mr Ludwig night force his cultural taste on them helped to thwart the idea in Germany, but it made more headway in Austria, and the Ludwigs have in the Aachen headquarters their own, high-minded "Foundation for Art and International Understanding funded with DM2700. standing," funded with DM27m.

munify at large by placing his collection at the disposal of mu-seums. There are never any strings attached to my dona-tions; that museums were built cities concerned. I refuse all financial favours, nor do I influence museum policies." But there are persistent rumours that he did push through certain appointments at least in Vienna (while the gallery director at Cologne distances himself from Mr Ludwig on various counts). Critics also call his judgment into question and lament the overcrowded display in the Cologne museum.

Mr Ludwig's self-professed art mission sailed into troubled waters when he toured the Soviet Union, Bulgaria and East

bled waters when he toured the Soviet Union, Bulgaria and East Germany in the company of state officials buying up approved art. "We in the West have ignored this kind of art too long", he argues, but opponents have gasped at his co-operation with the authorities, leaving the dissidents out in the cold. Some cynics have it that the chocolate dissidents out in the cold. Some cynics have it that the chocolate concern arranged Eastern bloc contracts by this kind of cultural diplomacy, a charge which Mr Ludwig strennously denies.

Even more problematic are Mr Ludwig's recent public statements on Nazi art. A large shipment of this embarrassing suff has been returned to Gersuff has been returned to German museums from America, but has gone straight into security vaults. Mr Ludwig has called for free access. Let the public form its own opinion," he

He sees nothing inherently wrong in "official art" and does not accept that former Nazi propaganda is implicated with guilt. The critics finally put him in the doghouse when he and his wife had their portraits sculpted by 86-year-old Arno Renter Braker was one of Hi-Breker. Breker was one of Hi-tler's favourite artists, glorifying the master race in muscular giants. He was never a commit-ted Nazi; he did what he was told. In Paris he was a friend of Coctean and Mailiol. It is time to come to terms with that peri-od, bad enough as it was. Peter Ludwig has progressed from being a major benefactor of museums to becoming a high-ly political figure in German cultural life.



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FINANCIAL TIMES



Producers have been working hard to meet demand for the metal but are finding dramatic price shifts

hard to live with. Their fear is that the market could slip into cycles of glut and shortage. Nick Garnett reports.

Plant back on stream

THINGS HAVE certainly been going the aluminium producers'

This is putting an unpleasant to be about 12.8m tonnes this cost squeeze on downstream year, fabricators. But at first sight it Large amounts of capacity lioks like nothing but good news for the big primary alu-minium companies, now begin-ning to see the benefits in their bottom line profit and loss fig-

Before the price volatility of Brazil last week the jump to a Metals Week price of 86 cents per

But many in this global industry believe the aluminium business could be living on another

has plagued it for so long.

"The key focus is volstility,"
says Tony Bird, the Londonbased metals analyst. Prices have been much more volatile have been much more volatile in recent years. That increased volatility will continue and might get worse. There is a serious danger that the industry Exchange, which tends to magnitume, glut and shortage cycle that it just cannot get out of."

From the outside, the aluminium industry looks very orderly.

Demand in terms of tonnage is going the aluminium producers' way during the past year. The price of raw metal has rocketed, stocks have fallen and a lot of mothballed and so-called "swing plant" capacity, especially in the US, has been brought back on stream.

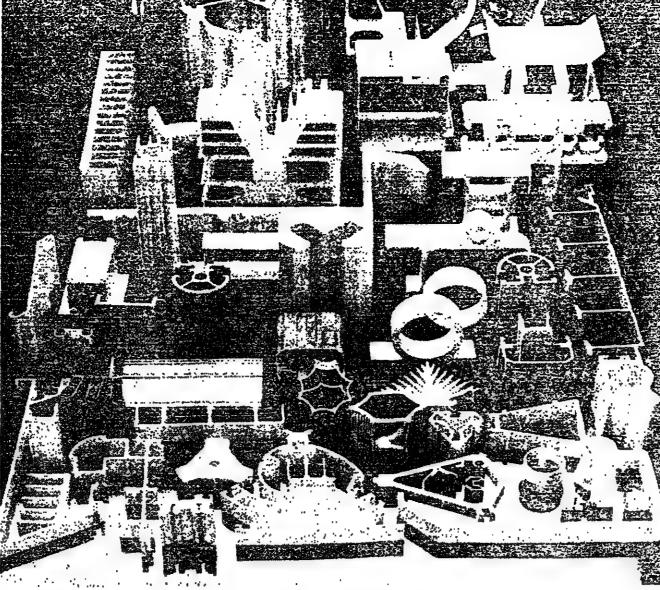
This is putting an unpleasant to be about 12 9m teness this

> Large amounts of capacity were shut in the late 1970s and early 1980s but new and effi-cient potlines are coming on stream. New smelters include the Angul plant in India, Port-land in Australia and Belem,

The long-term decisions on Week price of 86 cents per pound at the beginning of this month as against 56 cents a year ago was nothing short of dramatic.

Luc long-term decisions on closing, re-opening or building new smelters though have always been tough ones. This was underlined only this month when Alcoh appearance in the contract of the co restarting part of a smelter in Texas which it had earlier an-

nounced would remain closed.
Observers who see the present conditions in the industry as unsustainable believe a number of factors have been pushing aluminium in one direction and are bound to store up trouand are bound to store up trou-



mand changes.
Two trends which have emerged over the past few years continue to affect the industry. North American plants, once by far the highest-cost smelters, are now much more in line with the rest of the world. The marginal, high-cost facilities are to be found, if anywhere, in Continental Europe.

This is pasticularly so for

This is particularly so for West Germany where the position of VAW, its indigenous amelting company, looks increasingly difficult. At the same time, the position

can help smelters but they also of Alcan and Alcoa remain se-make their owners potentially less responsive to cyclical de-mand changes.

The treeds which have penies below them continue to jockey for position with the younger companies continuing

to gain strength.
As part of these realignments As part of these realignments, Alcos, which last year said it was alming to reduce its dependence on the metal from 85 per cent then to 50 per cent by the middle of the next decade, seems to have changed its tack.

Mr Paul O'Neil, the 51-year-old outsider who feels are old outsider who took over as chairman this year from Charles Parry, has made it clear that improving the company's profitability is the priority rath-

er than diversification.

While acknowledging the val-ue of moving into fibre optics, ceramics and plastics packaging as Alcon has done in recent years, he has set a goal of achieving a 15 per cent return on investment, about double what Alcoa is managing right

Keiser Aluminium which recently fell under the control of Alan Clore, the British investor and is now emerging from a long spell of losses is continuing to

Hoogovens and has reduced its stake in the Anglesey smelter by selling shares to RTZ. It has also opened discussions on the sale of its quarter share of Hindalco's big smelter at Renukoot, India and is looking for possible partners for two of its US

rolling mills.
However, Kaiser's competi-tors do not believe this is a full-scale retreat from alumini-um. Kaiser has been divesting more of its non-aluminium businesses and has given no sign

reshape and reduce its businesses.

In the past year or two it has sold its Voerde aluminium smelter in West Germany to its its wants to give up its two alloy so businesses.

Alusuisse is still on the path the cofreducing its smelter capacity, if su trying to reduce its cost base by eas.

Profile: Hydro Aluminium

Power costs: trigger prices means of containing difficulties. World demand: restarts marrestructuring plans

North America: massive restart of idle capacity Venezuela: heavy investment in smelters

Turkey: upheaval to improve Australia: wide interests of two

cient capacity. No longer inter-ested in being one of the bigger whatever is left after this clo-

year, keeping the other ball running, at least while the metal's price holds up. It has also reduced its stake in a Norwegian smelter at Husnes.

gian smelter at Husnes.

Alusuisse has also indicated that it will not be involved in the building of new smelting capacity in Iceland where it owns the Isal plant. The Icelandic government is considering building a new 200,000 tonnes smelter which would ten into the Isal infrastructure.

pean extrusion plants made it Europe's largest aluminium producer and one of the continent's biggest extruding busi-

Norsk traditionally buys alu-mina on the spot market but with the current price changes flowing through the industry, analysts believe refinery own-ership would be a good move for

Reynolds of the US is contin-uing to spend a lot of money on uing to spend a lot of money on downstream activities, includ-ing its can lines. It has also just installed its first commercial-scale casting plant for lithium alloys, a facility which Alean al-so has and which is now taking the aluminium industry slowly. the aluminium industry slowly.

But aluminium has a tough battle on its hands for new out-

LME: phasing out standard Traced options: controling the

Stress applications: uses for erspite material Packaging: competing against

Last year the Swiss company extracted itself from the Ormet smelter in Ohio and this year has closed a third of the capaci-ty of its Rheinfelden smeller in

West Germany.

Hydro of Norway, the real growth company in aluminium in the past couple of years, appears now to be in a consolidation phase, its purchase of ASV of Norway and last year's ocquisition of much of Alcan's European eventusion phase, its made it

Pechiney completed most of its restructuring two years ago, It confirmed this year though producers of primary metal, the the sale of a quarter share of trouble for Alusuisse is that the Becancour smelter in Canada in which it now has just a 25 sure programme is still rela- per cent stake itself. Due for tively high-cost capacity. The privatisation. Pechiney an-company though was in the nounced in September a dou-

black in the first half and is pre-dicting a profit for 1987.

It closed half of its smelter at Chippis in Switzerland this year, keeping the other half hara plant as the only operating

primary smelter. Unlike Alcoa, Alcan's policy has been to remain a bulk commodity supplier of aluminium. With the way prices have been going, this has certainly paid off during the past year, putting a big smile on the face of Aican executives. executives.

building a new 200,000 tonnes

They were once told by large
smelter which would tap into they should follow Alcoa and get out of the aluminium bulk commodity business. The com-pany has put up for sale its high-cost Ludwigshaven plant

in West Germany.

The aluminium price has given a real lift to the "born again" plants. These smelters include the former Alcoa Vancouver smelter in Washington State and Goldendale, sold by Comalco. An analysis by Shearson Lehman Brothers points out that five of the US smelters which have restarted idle po-tlines take their power from the Bonneville Power Administra-tion. This introduced a variable

The Commodity Research
Unit, the London metals analysts, believes that welding these businesses together could take up to four years.

Meanwhile, Norsk is still in the ownership of another common its acquisitive streak, seeking a share of the Worsley alumina refinery in Australia.

Norsk traditionally buys alumina on the stort market but the commodity Research Unit.

At the downstream end, ex-

At the downstream end, ex-trusion continues to make ground as a consumer of prima-ry aluminium as it has done for

nearly ten years.
Mr John Bridgeman, managinc director of the extrusion division of British Alcan says ex-trusion now accounts for 30 per cent of primary consumption. This is still way behind rolling which probably accounts for 50 per cent of primary consump-

Three words that sum up British Alcan's approach to its products, processes and markets.

Take aluminium tubes for instance, where we offer the widest range of products in Europe and export over a third of our output. At our Redditch works, we are

involved in a massive plant upgrading process, installing new highly automated equipment capable of producing a range of tubes from 5mm to 550mm diameter and to the very highest levels of precision.

Our aim is to have the most sophisticated high-technology aluminium tube plant in the western world.

from our extrusions L' division at Banbury over 60 new product shapes emerge every week. Here, die design and

manufacture have been revolutionised through our pioneering of CAD/CAM (Computer Aided Design/ Computer Aided Manufacture).

In aluminium sheet, we are engaged in a massive I investment programme at our Rogerstone, South Wales plant. We aim not only to be competitive with the best aluminium rolling mills anywhere in the

world, but to achieve the highest standards of excellence for our products. Items such as the foil and sheet for this honeycomb cored building panel developed by Ciba-Geigy.

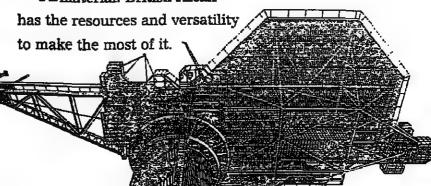
> Dut apart from renewing and im-D proving our existing manufacturing capabilities, we believe that it is important to explore and develop new markets for our materials. For example, we have created a new division specifically geared to meeting the exacting

demands of aeronautical engineers - Alcan Aerospace. This division will direct the efforts of all British Alcan companies involved in aerospace. Already a world lead has been established with LITAL, Alcan's brand name for aluminium lithium alloys. The world's first successful Al/Li alloys, they are substantially lighter than other aircraft alloys and they are now saving weight in aircraft, both here and on the other side of the Atlantic.

> fore down to earth but out to sea. VI British Alcan has set up a unit to meet the offshore industry's growing demand for lightweight materials. It has

been established that reduction in platform topside weight can bring substantial cost savings for both jacket and deck structures. And by designing in aluminium, weight reductions of up to 60% can be achieved compared to steel. Alcan Offshore has been specifically created to aid designers achieve impressive savings like this.

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The value of swing capacity

SMELTERS worldwide are working at almost full capacity trying to keep up with demand.
Indeed, some producers are
now bringing on capacity that
had already been totally written off in the belief that it would never restart and they could be said to be producing at more than 100 per cent of their

Alcoa and Kaiser were the latest to join the restart syndrome earlier this month with the reactivation of the Rockdale smeiter (Alcoa-owned, 105,000 tonnes/year capacity) and a half potline at Ravenswood (Kaiser-owned, 41,000 tonnes/year per

High prices and little sign of an end to current high levels of demand are prompting compa-nies to reappraise their restruc-within which the market will turing plans, set in motion as returing plans, set in motion as recently as 1985 in the case of average position of balanced
Alcoa which aimed to close permanently 25 per cent of its

However, some aluminium

In the aluminium business swing capacity as an indicator identifying those smelters that of market balance.

The reason is that for some pacity, liable to swing out of years all major metals prices, production when prices fall and not just aluminium, have been production driven as a modulation driven as back again when they rise.

come into operation at prices above & US cents/lb, that would be assumed to be the natural top for the market and nobody try is operating at or close to ea-would build a smelter in the pacity and cannot cope, by its hope of continued prices above own admission, with demand. For example, aluminium win-

gories of swing capacity; in a market share in Europe and, to gories of swing capacity; in a rising market those smelfers a lesser extent, in the US where which might swing into production and cause over-supply are crucial.

The problem facing the producers is not whether swing ca-

In a falling market, they will pacity will come back on stream close first, and then, of more imad force prices down; there is portance are those smelters, simply not enough around to still high up on the list of relative costs but not quite at the mand levels, but whether it op, which might swing out and should affect long-term investigates the market short. In theory, the presence of swing prorent demand and current

			تاجفه		5	Arerego
-	1961		and to	1965	1904	(ay bet ware Storich tages
Mature economies						
North America	3947	4466	4064	4645	4576	-1,3%
Western Europe	3652	3793	3938	3950	4155	+1.0%
Japan	1639	1801	7744	据据	1684	+0.6%
Australasia	236	285	297	318	272	+1,8%
Total of above	9474	10,345	10,881	10,738	11,186	-0.1%
Other economies	1398	1650	1721	1943	2136	+7,1%
As a % of NSW	12.9	% 13.8	4 13.7	X 15.3°	6 18.0°	K
Non-Socialist world	10.872	12 004	12.582	12,681	13,325	+0.8%

With an ingot price above 80 cents the capital costs involved

will stay high.
Interestingly, it could be that

there is still uneconomic capac

can producers, and of course for the South American companies.

But Europe could be a different story.

Aluminium is a dollar-denominated market, and high dollar prices do not necessarily trans-

e into such spectacular gains in local currency terms. Ala-suisse is still pressing ahead with a a planned reduction of

rimary capacity.
France's Pechiney has al-

ready cut domestic capacity and any aluminium profits are like-

ly to come from offshore proj-

ts, according to most analys

eria according to most analysts.
British Alcan professes itself
"not unhappy" with current
prices, but cannot be anything
like as happy as its Canadian
parent, Alcan.
In short, the industry would
not be surprised to see cuts in

European capacity, particularly on the Continent. Those cuts would be more than likely compensated by increased capacity in Venezuela, which is aiming to install some 2m innusavear

of capacity under an investment plan already under way.

However, in a report published earlier this year, UK-based analyst Anthony Bird forecast that existing plans for

new smelter capacity will not

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in putting in new capacity can be recouped. The producers must decide whether the price amelter capacity.

A great deal of time is spent question the importance of there is still uneconomic capacity in operation - producers who will not be saved even by the current rampant bull market. When next year's rash of company reports comes out of detailing 1987 results, most expect to see profits for the North American and the current results are the control of the control of the control of the current results are the control of the current results are the

seen to be production driven, a One reason swing capacity is legacy from the 1970s when min-so important is the accepted erals shortages were being pre-wisdom that primary alumini-um ingot prices must bear some to build up metals capacity.

um ingot prices must bear some direct relationship to the price at which swing capacity is viable. The rest of the industry can plan its futre on the basis of the swing capacity price range.

If, for instance, there happened to be 1m tonnes per year of smelter capacity available to come into operation at prices above \$5 US cants/h. that would be reaches yet another chart bar-view of the reduction.

breaches yet another chart bar-rier. Yet the production indus-

If there was another 1m dow frames are in big demand tonnes of capacity which must in Japan where housing starts close at prices below 60 cents, are up, stimulated by efforts to that would be said to be the bottom of the market, unless design the domestic economy. The mand dropped dramatically. So making rapid gains in the Far there are essentially two cates.

Performers

Performers

be sufficient to mee demand in the 1990s. His prediction is tak-en seriously by the majors in North America, who would dearly love to instal more ca-pacity but remember only too well burning their fingers after the last round of investment in canacity.

projects in North America. From now on we will build in and testing the market as we go. The days of a million-to project are well and truly dead," asserts one of the majors.

In any case, some produces respect current prices canno suspect current prices cannot last. There is a time lag between high ingot prices and high product prices. When the product prices eatch up, the market faces its first real test of consumer resistance, and producers believe products will catch up by the first quarter of next

factors keeping prices high. Al-can is negotiating labour con-tracts in Quebec, Alumax is netracts in Quebec, Alumax is ne-gotisting at Intalco. About 900,000 tonnes of capacity is-therefore operating under the shadow of potential labour dis-ruption and the market has as-sumed the worst.

If no strikes materialise, and Alexa points out it took sight

Droughts have reduced hydro process agreed also maybe 100,000 tonnes of production this year. If the rains come, there will be more metal avail-

able next year.

In the shorter term, prices could fall back because of these production factors. But the un derlying trend away from pro-juction-driven to consumptiondriven prices suggests the price does not have so far to fall be-fore it hits the safety net. The Bird forecast haunts the

producers who are keen to show producers who are keen to show themselves to be reliable long-term suppliers. There may still be some bloodletting among the high-cost producers in Europe, but elsewhere the difficult era of capacity cut-backs seen earlier this decade should not be re-enacted. What is more likely is a difficult veriis more likely is a difficult peri-od of heart-searching before ca-

Power costs

The utility of trigger prices

ALUMINIUM is very much an energy product, and power costs are the most significant factor in most aluminium producers' overall cost structure. It was without doubt the high cost of energy in Japan that forced the near total permanent closure of that country's smelting industry in the last three years. Raw materials costs - setting aside power - and labour costs have been hardly significant in detarmining which sectors of the world aluminium industry

have survived.

In the case of the Japanese smelters, for instance, average power costs were around 55m/ Kwh. In the US, and in figure is

nearer 24m/Kwh and in the pow-er-rich Gulf states 3m/Kwh is the importance of power costs to producers that aluminium smelters worldwide have sought

amount they pay for their power supplies. Variable power rate agreements have become the

In a typical power rate agree-ment a smelter will agree with shadow of potential labour disruption and the market has assumed the worst.

If no strikes materialise, and
Alcan points out it took eight,
strike-free, months to negotiate
its labour contracts in Quebec
during the last round of talks,
then prices could fall.

Droughts have reduced hydro
power and cut production in minimum trigger point.

> to a pre-arranged formula de-signed to deal, even if crudely, with changing cost burdens at There is general consensus as decade and now account for about 25 per cent of world smelter capacity. Robert Gold-stein, of the Commodities Re-search Unit, summarised the reason in a presentation to a Metal Bulletin aluminium con-ference in San Francisco last

The answer lies in the eco-nomic circumstances in which a surplus of aluminium smelting capacity has been combined with a surplus power generat-ing capacity in many regions of

A clear case of mutual backscratching. If the amelians, which mostly would not have been viable without cut-price power, were to shut down then the utilities, which were having trouble selling their power any-way, would be left with even more capital-intensive capacity

Most of the agreements have been concluded in North Amer-ica, including the Bonneville power region around the north-region of the north-west Pacific region or the US and Rig Rivers power area in Kentucky. Some of the smelting involved have become allowever, events over the last most synonymous with swing caments able power rate agreements might have been in part the saviour of aluminium as an indus-

(Inches		reporte)
Year	Amphelian export FOR	
1962	188.6	243.6
1963	1872	198.5
1964.1 1964.2 1964.3 1954.4	168 163.8 161.7 182.3	207.3 207.5 167.5 199
1984 1985.1 1985.2 1985.3	164 144.8 142 139.4	200.3 796.9 182.5 177.1

123.9 123.6 132.6

162.8

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market at short notice causing prices to react equally quickly. The alternative, they suggest, would be for a gradual rise in prices to make new investment attractive and cause new capacity to be built to cope with the implied extra demand. A fall in

It is suggested that the price gyrations expected as a result of variable agreements would not occur if the producer sector were less able to respond over-

pacity: The Dalles, Goldendale,
Vansico and Meade.

The question that perplexes the aluminium industry is just how far variable power agreements have distorted the shape of the industry through encouraging volatility in prices.

Those who fear volatility suggest variable agreements allow smelters to react quickly to changing prices, bringing on or shutting down pot lines which if prices rise much further they otherwise might have been discontinuous and are now beginning to worry.

If prices rise much further they could start to lose markets to other, cheaper materials such

through their suphoric phase and are now beginning to worry. If prices rise much further they could start to lose markets to other, cheaper materials such as plastics. But the producers are at loss to know what to do. They are working flat out, they have little inventory, and new capacity started now could not be on-stream for several years. The position could only have been worse without the existence of capacity protected by variable power agreements, capacity which might otherwise have been dismanted as recently as two years ago when the

by as two years ago when the outloot appeared to be grim.

As for the turrent volatility which is all in one direction if

which is all in one direction if that is not a contradiction in terms, it can hardly be blamed on variable power rates. The rapid growth of aluminium demand for beverage cans, particularly in the Far East, coupled with the foreseeable but somehow underplayed collapse of the Japanese smelting sector, has been a real factor.

The significance of the emer-

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The significance of the emer-gence of large players in the al-

878 - 1.068 7,116 1,070 3,519 4,654 4,499 3,275 4,397 5,732 5,605 4,348 US Total 120 188 87 Argentina. Brazil Mexico Surinam 40 44 43 34 23 29 335 386 403 945 1,046 1,164 274 796 167 S 33 45 351 . 728 1,013 1,092 17 18 18 27 28 64 933 1,404 -981 379 155 381 167 548 304 158 460 852 244 **1,095**

World production of primary aluminium

mantled, and by turning into the market at short notice causing prices to react equally quickly.

**Example of the state o volatility in prices. Some analysts believe there is a rusk of private and institutional funds into metals, with aluminium copper proving popular, would also contribute to

high-cost capacity to disappear In fact, the price of slumini-permanently and allow the mar-icet, and prices, to find a new many critics of variable power

Pro	ductions	operation	drawit.
ř.	(Builtoni 	ومالصو	nge) eksekisk
		cool.	pric
1962		58.0	20.3
1983		57.0	20.0
1994		51.7	18.2
1985		47.7	16.2
1906		45.8	16.8
1997		- 40.0	470
Mar		46.6 47.7	17.3 16.3
ded		473	18.3

agreements understood by volatility is barely recognizable now. The current price of aluminium is about \$800 higher than it was at the beginning of

In other words, the smelters are paying the rate they would have been paying without variable costs, and the price will have to fall a long way before they could be said to be depending on their variable agree-ments for survival again.

It is hardly surprising then that at least one major North American producer reports it is "having a dama hard time" trying to interest utilities in new variable power agrements for either new capacity or existing capacity so far not covered by

prices are likely to be based on current aluminium prices, mak-ing the deal issa attractive to those who foresee prices falling back significantly in the future.

Mertin Abbot

The second of th

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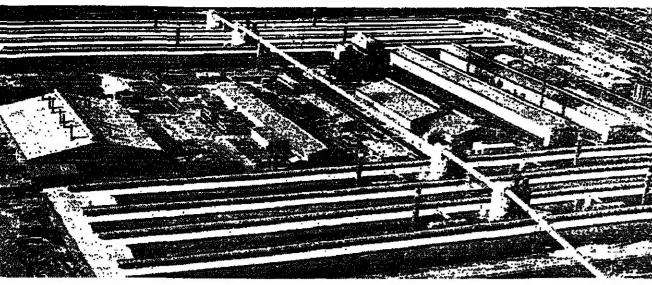
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Venezuela

More smelters to stay ahead

THE VENEZUELAN government is investing heavily to expand the country's aluminium smelting capacity and plans to be in a position to produce more than 2m tonnes per year (mtpy) of primary aluminium by

future world aluminium prices, the administration of President Jaime Lusinchi believes that two key elements will give Ve-nezuela's state-controlled aluminium industry a highly-com-petitive market position in rears to come.

These are its role as the Western world's lowest-cost produc-er (thanks to cheap power from the Guri hydro-electric complex) and an industry that will be fully-integrated (bauxite-alumina-primary aluminium) by 1989-90.

At the same time, the industry is seeking investment possibilities in downstream aluminium activities abroad that will assure Venezuela of long-tern placement of primary alumini-um in the US and European markets. Alcasa - one of Vene-zuela's two largest aluminium producers - initiated this new stage of Venezuela's interna-tional activities last year when tional activities last year when it purchased a half interest in Aleurope, a Belgian aluminium

products company.

Alcasa and Reynolds Interna-Alcasa and Reynolds Interna-tional (the minority stockholder in Alcasa) are now equal part-ners in Aleurope, and Venezue-la has gained its first foothold in the downstream side of the European aluminium business.

Venezuela's other large alumin-ium producer - are currently studying a range of investment opportunities in the US and Europe, and are expected to make decisions on new ventures in

the coming months.
Investments in Venezuela's aluminium sector over the next few years will reach an esti-mated \$2.7bn. In addition to mamated \$2.705. In addition to major expansion projects where the Venezuelan government holds a majority share, several smaller private aluminium rojects are also planned, including a 120,000 mtpy smelter to be built by Alusur and a 100,000 mtpy smelter to be erected in stages by Alisa.

Venezuela is already produc-ing bauxite ore from a new mine in Bolivar state, and as output increases to the first stage goal of 3m mtpy by 1989-90, imports of bauxite will be progressively eliminated and the country will have a fully-integrated alumini

um industry.
Today aluminium is Venezue-la's second-largest export item after petroleum, and its impor-tance is steadily increasing. Last year Venezuela's major smelters - Alcasa and Venalum produced 420,660 tonnes of priand exported more than 250,000 tonnes

Bauxiven (Bauxita Venezolana CA) - is in the midst of an ambitious expansion programme that is scheduled to be completed by 1989.

Funds are being provided by the Government (Venezuelan Investment Fund), by the companies themselves and by loans from a variety of European and

ed by 1989.

At that time, the industry will Japanese institutions in the have primary aluminium smelting capacity of over 662,000 project finance loans. Swiss mipy, rolling capacity of 80,000 Bank, West Germany's KFW, mipy, alumina production of 1.5m mtpy and bauxite ore output projected at 3 mtpy. Moreover, Alcasa, Venezuela's oldest loss the expansions at Alcasa 15m mtpy and bauxite ore output projected at 3 mtpy. Moreover, Alcasa, Venezuela's oldest
aluminium producer with 20
years' experience, has announced that it will begin construction next year of a new
180,000 mtpy aluminium smelting line using technology from
Pethiney of France and costing
\$667m. \$667m.

The Government will also set up a joint venture to build another 180,000 mtpy smelter with the same estimated investment cost. Partners in the latter venture are expected to be CVG (Corporacion Venezolana de Guayana), a government-owned regional development agency, Alcasa, Austria Metall, Pechi-ney and the government of Bulgaria. After these two new plants are finished in the early 1990s, Venezuela's total alumin

1990s, Venezuela's total aluminium smelting capacity will reach more than 1.02 mtpy.
Several international banks are putting together financing offers for Alcasa's new smelter and for additional facilities still being considered. The Government hopes to pay for part of these new ventures through large debt-equity swaps. Financing for the industry's expansion is not currently a problem.

tonnes of primary aluminium in 1986, up from 281,860 tonnes the previous year and more than 15,000 tonnes above design capacity. The Lusinchi administration

Venalum produced 295,520

has approved expansion plans for Venalum that will cost more than \$386m through 1989 and that will raise the company's installed production capacity by 175,000 mtpy to about 455,000 mtpy. Venalum, like Alcasa, is examining downstream invest ment opportunities in Europe Alcasa is Venezuela's most experienced aluminium company. It began to operate in 1967 (as a joint venture between the Venezuelan government and Reynolds International. Through the CVG and the Vene-zuelan Investment Fund (a

state-owned financing entity), the Government now owns 84.24 per cent of Alcasa, while Reyn-olds holds 15.78 per cent. Last year, Alcasa's plants in Puerto Ordaz and Guacara pro-duced 125,140 tonnes of primary

aluminium and products (foil, laminated products, and so on), up 2.9 per cent from 1985. The company's president, Mr Celestino Martinez, says that the production target for this year is 126,800 tonnes.

Alcasa is now moving ahead with a major expansion pro-gramme that will cost \$431m through 1989 (imported compo-nent is about \$200m). Interalumina: Interalumina is

Funds are being provided by the Government (Venezuelan

Venezuela holds an important advantage vis a vis other alu-

of primary aluminium. During the first half of 1986, Venezue-la's average direct operating cost stood at 32 US cents per pound of primary aluminium.

Other low-cost producers ranged from 34.3 (South Ameri-

can producers, excluding Vene-zuela) to 40 cents (Oceania) per pound. Canada's cost was 37.6

cents while the US was 50.9; Ja-pan stood at 71 cents and West-

ern Europe 46.
Production results for 1986
and expansion plans for Venezuela's aluminium industry are

country's largest aluminium smelter, with installed produc-tion capacity of 280,000 mtpy. Founded in 1973, the campany

is 80 per cent owned by the Venezuelan government (the Cor-poracion Venezolana de Guay-ana - CVG) and 20 per cent by a

group of Japanese industrial

a joint venture between the Venezuela government, which owns 96.5 per cent of all shares, and Swiss Aluminium, or Alu-suisse, with 3.5 per cent. The Interalumina plant, located in Ciudad Guayana, converts baux-ite ore into alumina powder which is then converted into primary aluminium.

Interalumina was incorpo-rated in 1977 and construction work on its plant began in 1979. The company went into full op-eration in 1983 with installed capacity of 1m mtpy of alumina and total investments of more than \$1bn. Last year the compa-ny reported a record high prony reported a record nigh pro-duction of 1.27m tonnes, up 164,725m tonnes from 1985 and more than 258,000m tonnes above installed capacity. Alu-mina production this year is projected at 1.3m tonnes.

Bauxiven: This state-owned company began work in 1986 to develop a large bauxite ore mine at Cerro Paez, Los Piji-guaos, in the jungles of Bolivar state. Government plans call for production of 3m mtpy by 1989. Design capacity for crushing ore will be 4.5m mtpy, with the capacity of expanding to 6m mtpy. Domestic demand for beuxite ore currently is running at about 2.8m mtpy (most of which is imported), and will rise to 4.5m mtpy by 1990-91.

North America

Getting back to work

THE STRONG ingot market and shaky dollar of recent months have done little to change the three-pronged long-term strategy of the major US integrated producers, formulated in the teeth of the difficult market conditions of the past five years.

In a nutshell, they continue to cut costs, to concentrate on downstream activities and to diversify into more advanced materials.

But they have prompted a massive restart of idle smelter capacity, which will result this year in a 400,000-tonne or nearly 10 per cent increase in North American ingot production, according to Shearson Lehman Bros forecasts.

The scale of the increment is

due partly due to last year's widespread strike disruption. The willingness of the likes of Clarendon, the Swiss-based commodities trader Marc Rich's US affiliate, to sign so-called trading agreements to have its "tolling" agreements to have its alumina smelted at various US facilities, has also played a

But more important has been the enlightened pricing policy of the Bonneville Power Admin-istration (BPA) in the US Pacif-ic north-west, which since last August has tied the rates paid by smelters for power to the in-got price. This, coupled with the decision not to confine plants to specific load levels, has helped prompt polline restarts at five Pacific north-west smelters, accounting for about 25 per cent of

the overall year-on-year pro-duction increase. Three of the BPA area smelters to have restarted capacity during the year - those at Van-couver, Goldendale and The Dalles - are now in the hands of small independent companies. This in itself is indicative of the integrated producers' strategic shift towards manufacturing in-got primarily for their own fa-bricating needs. Not even the strength of the

current market for ingots has been sufficient significantly to change this policy, although Kaiser did boost ingot sales to 17 per cent of its product mix in the latest quarter and Alcoa has elected to restart in-house capacity rather than buying ingot on the open market as had been its practice while prices were w. With lead-times for flat-rolled

with lead-lines for list-foliation sheet and plate stretching well into the first quarter of 1988, the US-based integrateds are for the most part content to forgo even today's undoubtedly alluring ingot market - despite the

Recent Developments At Some U.S. Smelters Restart of 54,400 toy postine will raise smeller to two-thirds operation during third quarter. Vancouver* 100,000 Reopened under new management-three of its five pollines restarted. 50,000 tpy of capacity brought enstrea at these two smallers. Warwick 270,000 Dunng late April and 87. New owners plan to raise production to 100,000 toy level by that quarter. Goldendale 160,000 200,000 Operating rate to be raised to 87.5%. First polline restarted in late 1986, second partially in 87. The Dalles' 61,000 Troutdate" 118,000 Restarts in March and July leave one Longview* 191.000 Folline restart earlier in the year returned plant to hall operation. Smelter now running flat-out following potline restart in second quarter.

fact that prices for most semis and fabricated products have risen to a considerably lesser

US, for example, are in most cases locked in until the yearend on a term contract basis.

producers say.

Montreal-based Alcan, however, retains its traditional major role in the ingot market, thanks largely to the cost advan-tages which it enjoys as a result of owning its own hydro-electricity plants in British Columbia and Quebec.

According to company chairman, Mr David Culver, the com-

pany will continue to sell some 25 per cent of its production ca-pacity in ingot form, with the remainder being fed through the system into an increasingly dirse range of downstream ap-

plications.
High purity gallium and ceramics are two areas which have excited the company's attention in recent years, while intensive research has also been conducted in a bid to ex-tend aluminium's penetration of the automotive and aero-space markets. Its Lital A alu-minium-lithium alloy, which is billed as up to 10 per cent ligh-ter than alloys of similar strength, was accepted for use in the proposed European Fighter Aircraft earlier this

year.

Meanwhile, the company has continued to target costs by further simplifying its organisa-tional structure and shutting or selling marginal operations. Because of our realisation that the return on equity on alumini-um is rather stable in the long-term, we want to supple-ment this income with poten-tially high return investments in new areas." a company spokesman explains.

Pittsburgh-based Alcoa has arguably been the most decisive of the big integrated producers in moving into new but related materials fields. Recent projects, undertaken often in joint venture with a partner compa-ny, have included forays into high-performance plastic con-tainers for the food industry, ce-ramic armour plate, fibre optic technology and even industrial waste processing.

Richmond-based Reynolds Metals too is continuing to emphasise downstream markets, with fabricated products accounting for some 95 per cent of the company's dollar sales - up from 85-90 per cent at the beginning of the decade.

As with Alcan, aluminium-

lithium alloys are seen as a prime expansion area. Accordingly, the company is installing an alulith casting facility at its McCook, Illinois sheet and plate works, with the first output ex-pected in the first half of next

David Owen

ncanation? We, at Alcoa, really do believe

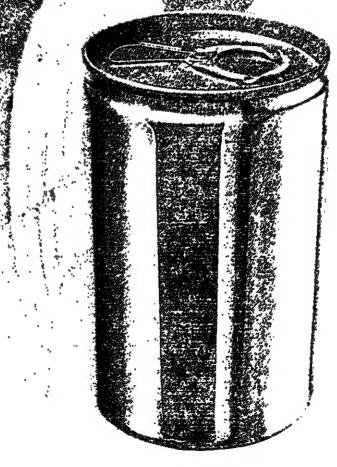
that in every used Aluminium Beer and Beverage Can there is a new aluminium can waiting to be reborn. In the United States of America the Entrepreneurs, Charities, Institutions and public at large have been cashing in on the high, intrinsic value of the aluminium can for many years. In fact, between them in 1986 they collected over 590,000 tonnes of aluminium for recycling. In so doing, they raised over \$200 million for so many good causes.

The side benefits of this activity are also considerable; 30,000 people employed full time at 10,000 can collection centres and, because it only takes 5% of initial energy

input to recycle an aluminium can, equivalent power is saved to meet the needs of 10 million people

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MALCOA

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Turkey must fight for a place in world markets, says David Barchard

A strong reliance on imports

TURKEY IS EASILY the Mid-dle East's largest aluminium producer, with its 214,000 tons total annual production easily outstripping that of its nearest regional rivals, Egypt (178,000 tons) and Bahrein (174,000). Even so its reliance on imports both of finished products and of ore remains substantial.

Turkey imported \$89m of aluminium products in 1985 and 9m last year. This year the total should drop to about \$53m, in line with the continuing emphasis on import avoidance. A substantial amount of ore is also bought from abroad - \$19.4m worth in 1985. On one hand, Turkish alumin-

ium is dominated by the large state-owned and Soviet-built Seydisehir Aluminium plant 250 miles south of Ankara. Set up by the Government in 1969, it processes about 460,000 tonnes of bauxite ore a year to produce about 200,000 tonnes of alumina and 60,000 tonnes of prime quality aluminium.
This is about half the coun-

try's annual demand, even though Turkey's per capita consumption is not only well below prises are notorious. that of Europe, but even that of neighbouring Iran. On the other hand, Seydise-

on the other hand, Seydise-hir, which enjoys a consider-able subsidy on its electricity costs, is in direct competition with its private sector custom-

domesticpopulation to serve, it has been traditionally a signifi-

companies all competing abroad for markets and each

relatively limited in resources.

Since the middle of last year, though, this situation hasal-

cant exporter of the metal.

ucts and have no electricity sub-

The largest of these companies, Nasas, and the only one so far to make its mark interna-tionally, thus finds itself with an annual sheet foil capacity of 20,000 tonnes but a local market of only 7,000 tonnes when Seydi-sehir's share of it has been takexported - something which the designers of Nasas in the early 1970s never imagined would happen.

that the Seydisehir plant is one of the better achievements in the somewhat chequered re-cord of Soviet-Turkish industrial cooperation, which includes several expensive flops. That time round," says an American engineer, "the Soviets built a Cadillac."

Management and quality con-trol tell a less happy story. Seydisehir is sited about 25km from the bauxite mines which supply it, but it has been affected by the problems for which Turkey's state economic enter-

prises are notorious.

This summer it was hit by a major strike which shut it down for more than a month.

There has been talk of privativing it as of explanations.

smelters. So far, however, the TL51bn (\$79m). It has paid off bureaucracy of the Etibank, the long-term debt on its imstate minerals corporation to ported machinery and technolowhich Sevdisehir is attached. has not favoured these propos-

Things are very different in the private sector, which has to be responsive to market forces like it or not Since 1983 Nasas has been fighting for a place in world markets, using foreign consultants from Reynolds of the US to improve its produc-tion operations and product quality, and employing an ag-gressive marketing strategy to find customers in the OECD

Nasas now produces about 20,000 tonnes of sheet coll a year, and 8,000 tonnes of foil and 6,000 tonnes of converted foil at its plant at Gebre about 50 miles outside Istanbul. Drastic reorganisation, the laying off of surplus workers, and the in-troduction of external auditing (the present president of the company, Mr Fethi Agalar, began his career at Arthur Ander-sen in the 1970s) have combined to produce one of Turkey's more spectacular industrial turn-rounds in the last four years. From chronic but disguised losses before 1983 when Arthur

Andersen was brought in, Nasas has moved back quietly into profitability. Last year it made

a net profit of \$1.7m on sales of.

Profile: Hydro Aluminium

close scrutiny.

The recovery rate per kilo infoil aluminium production has gone up to just under 65 per cent - or well out of the Third World league of efficiency and into that of aluminium producers in the developed countries. This is despite having to cope with chronic Turkish problems including paying for electricity at US cents 8 per KWh - double the cost paid by some of its foreign competitors - and finding supplies of ingots on interna-

gy (a burden which has crippled some other comparable Turkish companies because of the de-

cline of the Turkish lira) and to-

day it belongs to the select group of Turkish industrial

companies whose affairs bear

tional markets. (Those available from Seydisehir sell at above world prices). The real battle, however, has been to win recognition in for-eign markets. During the early 1980s, Nasas relied heavily on tranian and traci markets which temporarily had an enormous appetite for Turkish industrial exports. The link with Iran is not entirely broken. Na-sas acts as adviser to one alu-

in Eastern Europe and the EEC.
Last year Nasas's exports
were just under \$30m. This
year, they should be close to
\$40m, almost all of them coming from OECD countries, particu-larly Western Europe. The company has taken more than a third of the West German consumer foil market, and has be-gun to make inroads in other Mediterranean countries.

We have our own marketing teams in each country which we can sell to, says a Nasas official Currently Nasas is exploring a possible deal to take over a Luxembourg-based aluminium

Even so, it would like Turkish consumption of aluminium products to rise. Last year it neventure with Tetrapak of Swed-en to make packaging materials. Mr Agalar is currently looking for new investments, perhaps with a foreign partner, in piping, canning, roof materials, and sandwich panelling. It is arguable that the private and state sector investment in

aluminium in the early 1970s in Turkey was badly thought out and certainly poorly co-ordi-nated. However, the export-ori-ented policies of the Prime Minsas acts as adviser to one aluminium plant there.

However, Mr Agalar and his team set their sights on markets

However, Mr Agalar and his to guarantee Nasas as future in world markets.

Under the terms of the merg-er, Norsk's aluminium assets

weretransferred to ASV in re-turn for a 70 per cent stake in

the new company, Hydro Alu-minium. Norsk has the option to

increase its stake to 90.1 per cent any time between January 1988 and December 1991.

By the end of this year, Hydro Aluminium will control some620,000 tonnes per year smelting capacity, more than any other producer in Western

Europe. It will require an immense 10,000 KWh - 10 per cent of Norway's energy output - to preduce that amount of metal.

This will be supplemented by 33,000 tonnes from feilow Norwegian producer Sor-Norge Aluminium, in which Norsk last year increasedits holding from

25 to 49.7 per cent. And, under an agreement withthe Columbia

Falls facility in the US, the com-

pany obtains afurther 100,000 tonnes per year of primary in-

With smelting especity at satistactory levels - a decision toin-crease metal output at Asrdval from 160,000 to 200,000 tonnes-

per year having been put on the back burner until next year atleast - the main thrust of Hy-

dro's expansion plans is into-

Hydro's extrusion capacity, following the acquisition of five Alcoa units in Europe shortly after the merger, totals some

200,000 tonnes per year. The 16 extrusion plants have their head office at Lausanne, Switz-

erland, a strategic location in the heart of Hydro's main con-suming markets in Western Eu-

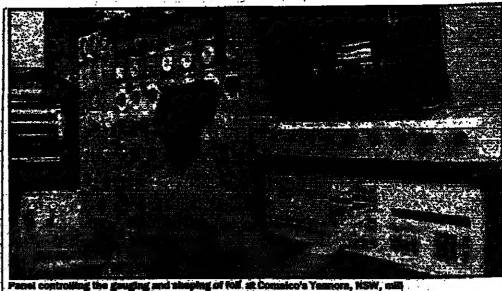
Another area scheduled for

Another area scheduled for development is raw materials. Since the closure of the old alumina refinery at Hoyanger, Hydro has had to buy all its feed in the market, and is on the lookout for a "suitable" refinery in which to take a stake.

The European market is of ut-most importance to Hydro - hencethe focussing of its extrusion activities in Switzerland. Abou-tone third of its 12,000 employ-

ees work at Hydro operations outside Norway, and almost 50 per cent of 1986 revenues came

rom non-Norwegian activities. The group has about 30 sales



Australia

Majors' wide interests

COMALCO AND Alcoa of Australia are the two Australian altrain are the two Australian at-minium producers which are vertically integrated from baux-ite mining through to the pro-duction of primary and semi-fabricated aluminium products. The formation of both companies followed the discovery of major bauxite deposits in the 1950s which provided the basis for their development from the

for their development from the early 1960s into integrated alu-minium producers. Both depos-its were discovered by leading Australian mining companies which brought in foreign alu-minium companies as major shareholders to provide not on-ly finance but also technical

However, despite these early similarities, there are consider-able differences in the way the two operations have developed. Weipa, Queensland are high grade and were initially devel-oped for export until the Queen-sland Alumina joint venture was brought into operation in 1967. Comalco has continued to be a major supplier of bauxite to export and demestic markets. Most of its alumina production is used in its own operations while its sales of aluminium metal have grown significantly

in recent years.

Alcoa, by contrast, converts
all its bauxite from the Dayling Ranges in Western Australia to alumina at nearby refineries and is a major supplier of ain-mins on world markets.

Alcoa's bauxite deposits were of too low grade to contemplate development for export mar-kets. Alumina is the company's main source of revenue al-though with the start-up of the Portland smelter (45 per cent-owned) in late 1886, Alcoe's alu-

owned) in late 1986, Alcoa's alu-minium sales revenue is becom-ing increasingly significant. Comalco's interests are exten-sive. It owns and operates baux-ite mining and industrial min-eral processing facilities at Weipa, North Queensland, a smelter at Bell Bay, Taxmania and semi-fabricating facilities in Auistralian and in the US at Lewisport.

It has consortium interests in

downstream capacity.

Some 50 per cent of the metal produced in Norway is already consumed within the Hydro group. Downstream facilities in Auistralian and in the US at Lewisport.

It has consortium interests in alumina refineries in Gladistone, Queensland (30.8 per Karmoy and Holmestrand in Norway, and in Copenhagen. Holmestrand came on stream just last year, bringing Hydro's rolling capacity to about \$5,000 tonnes annually.

This is far from adequate cent) and Sardinia, Italy (37.5 per cent) and In aluminium smelters at Boyne Island, Queensland (30 per cent) and Tiwai Point, New Zealand (78.4

per cent).
It has a window and door manufacturing company in Australia, and sales and distribu-tion offices in Australia and the US. The company has interests in aluminium fabrication companies in Hong Kong, Ind-and New Zealand.

tonnes annually.

This is far from adequate though, and investment in further rolling mills is high on Hydro's list of priorities. The group also owns the Fundo group of foundries, located atHoyanger and three sites in Sweden, whose chief product is castcar wheels, and canmaking and the plents in Scandinavia and More than 9,000 people are employed in Comalco-managed companies. Its major shareholders are CRA (36.9 per cent) and the AMP Society (15.2 per cent). Kaiser Aluminium sold its shareholding in 1982. tube plants in Scandinavia and Hydro's downstream activi-ties extend as far, even, as the-Polaris range of kitchenware, one of Scandinavia's leading brands. eholding in 1982.

Comaico is one of the world's leading bauxite suppliers. Its operations at Weipa have ac-counted for about eight to 12 counted for about eight to 12 per cent of Western world pro-duction in the 1980s. As export markets particularly in Japan and Europe, have declined in recent years, Comalco has di-versified its Weipa operations with the production of abra-sive-grade calcined bauxite,

proppants and paper-coating kaolin. Comalco's alumina produc-Comalco's alumina production comes from joint venture interests in the Queensland Alumina refinery at Glaldstone and the Eurallumina refinery in Sardinia, entitling it to a total of 1.1m tonnes annually at full production. Comalco's own alumina requirements for its smelting interests are currently about 750,000 tonnes.

Comalco's primary alumini-

Comalco's primary alumini-um division encompasses the Bell Bay smelter, the Boyne smelter, and the Tiwai Point smelter. Comalco is the manager of all three samelters, giving it a total entiltement to 376,000

offices scattered throughout Europe, spearheading the pene-tration of Hydro as the major aluminium company. Itonnes of metal annually. In early 1987 Comalco sold ita

Ann-Marie Moreno Goldendale smelter in the U.S. n aluminium company.

which it had bought in 1985. The division's product range includes ingot, extrusion billet, rod, foundry alloy, busbar briquettes, granules, powder and paste. Output from these smelters supplies domestic markets in Australia and New Zealand and expert methods. and export markets, especially

and export markets, especially Japan.

At Yennora, near Sydney, Comalco's rolled products division produces sheet and plate, can sheet coil, foil, and processes scrap aluminium.

Comalco is an important supplier of can sheet to the US and East Asia. In the US a Comalco subsidiary has about a 10 per cent share of the non-can sheet

supported the monetan sheet rolled products market.

Alcos of Australia currently owns and operates four banxite mines and three alumina refineries in Western Australia, a primary aluminium smelter and semi-fabricating plant at Point Henry, Victoria, It also has a 45

Henry, Victoria It also has a 45 per cent interest in and is manager of the Portland Smelter joint venture in Victoria which began operations in late 1986. The company employs about 5,750 people and the major shareholders are Aluminism Company of America (51 per cent) and Western Mining Corporation (425 per cent). eration (42.5 per cent). Its four open-cut bankite min-

ing operations at Jarrahdaie, Del Park, Huntly and Willow-dale currently account for about 17.5 per cent of Western world bauxite capacity.

Alumina production began at the Kwinana refinery, near Perth, in 1963. Since then, two more refineries, at Pinjarra and Wagerup, further south, have been brought into production. Alcon's total alumina production capacity is now almost 13 per cent of toal Western world capacity.

Alcoa requires about 380,000 tonnes of alumina each year for its Point Henry smelter and will supply all the alumina for the new Portland smelter (600,000 tomes) after the second potline is completed in 1988. The bal-ance of alumina production is exported to a number of differexported to a number of differ-ent countries including the US, Argentina, Norway, Indonesia, Bahrain and Dabai. Primary aluminium produc-

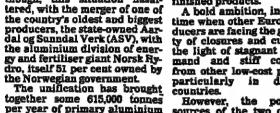
tien began at Point Henry in 1963. Annual capacity has been expanded in stages to 170,000 tonnes. After the second polline of the Portland smelter is completed in late 1988, Alcoa's 45 per cent share of loutput will rise to about 185,000 tonnes a

About 70 per cent of output from Point Henry is exported mainly to Aslan countries, and all Portland output is destined for export markets.
At Point Henry, semi-fabricat ing perations are now concen-trated on coiled sheet produc-

tion for domestic and export earkets. Although Alcea has not been actively seeking to diversify its interests outside the aluminium interests outside the aluminium industry, part of its Darling Banges bauxite leases adjoin those held by Worsley Alumina where Boddington gold orebody has recently began p roduction. Alcoa reported in July 1987 that it had established ore reserves of 5m tonnes grading 25 grams Autonne. This compares with Worsley's Boddington reserves of 45m tonnes grading 1.8

rently considering proposals to mine and process its gold re-Jan Larsen is a consultant at Australian Mineral

serves of 45m tonnes grading 1.8 grams Au/tonne. Alcoa is cur-



Merger creates ambitious group WITH ITS ample energy resources, Norway has for several and extrusion units throughout faceades been a producer of alunewcompany, Hydro Alumini-

The merger - actively encouraged for several years by theN-orwegian government - created However, Norwegian produc-tion has been somewhat frag-mented, shared among several a company whose declared aim is to enter the 1990s as one of Europe's leading aluminium concerns, a major force in the whole process through from smelting to the fabrication of finished products.

A bold ambition, indeed, at a time when other European producers are facing the grim reali-ty of closures and cutbacks in the light of stagnant metal de-mand and stiff competition from other low-cost producers, particularly in developing countries.

the pooled re-the two companies per year of primary aluminium sources of the two companies tion units across Europe.ASV's production capacity, as well as havealready set Hydro Aluminihistory in aluminium stretches

um well on the way to achieving itsgoal, even before the end of the decade. Until last year, Norsk's aluminium interests consisted of the Kamoy smelter in western Norway, opened in 1963 to help stem migration

Joining energy resources and smelting expertise

from an otherwise industrially impoverished region. mpoverished region.
Over the years, the smelter'scapacity has been expanded
from 60,000 to 215,000 tonnes
peryear, and rolling and extrusion facilities added to the complex. Complementing the smelting facilities in Norway is a
series of downstream producseriesof downstream produc-

back to 1917, when its65,000 Norsk is set to make a \$150m tonnes per year smelter at Hoyanger came on stream. Twoother smelters were subsequently commissioned at Aardal and Sunndal, bringing ASV's primary smelting capacity to about 400,000 tonnes per year.

The merger thus pooled the older established smelting exeand capacity of ASV with Norsk's vast energy re-sources and widernetwork of (abrication units Although alu-minium traditionallyaccounts

for only a small part of Norsk's turnover, the deterioration of the company's previously healthy balance sheet into a NKr374m loss last year, as a result of drastically lower oil and fertilizerprices, has no doubt contributed to Norsk's desire to strengthenits aluminium business.

In fact, following the strength-ening of metal prices this year,











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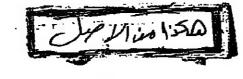
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Swimmers poised at the edge of a high grade pool

brutal action is necessary to indicator, replacing the alumintum the trade's attention to the high grade contract, which was launched on June 1 and has failed to live up to expectations on the market.

However, the aluminium in the Far East.

At the time of the launch on June 1, the LME expected business to gravitate towards the dollar contract. It was only appropriate the aluminium in the far East.

so far.

The LME's involvement in aluminium did not begin until almost exclusively on high 1978 - retatively recently in terms of the exchange's long history. The standard contract, which specifies 99.5 per cent purity. Recognishistory aluminium for delivery, itself got off to an inauspleious start, taking two to three years to build up both volume and so far.

On the market.

However the aluminium industry in the West now centres almost exclusively on high grade aluminium, or metal of 99.7 per cent purity. Recognishistory. The standard contract, ing this, the exchange and its resources too thinly. The reformers argued that the exchange had to become more responsive to the demands of its international customers. Aluminium producers had told the

THE LME, in the words of Mr Christopher Green, its chairman, has dealt brutally with the standard grade aluminium contract, which is to be phased out by the end of next year.

But once the contract was trading liquidity.

But once the contract was trading well, it rapidly began to pick up interest from both aluminum consumers and producers. It soon became the accepted in US dollars, ending a century-old trading only in sterling, and it includes for the first time a delivery point outside Europe - at a warehouse in linearity in the Far East. by the end of next year.

But the exchange believes brutal action is necessary to

minium producers had told the exchange that they believed a publicly-quoted price for lower grade metal was keeping prices

In any case the physical trade had become disillusioned with the 99.5 per cent contract be-cause of the volatility of its prices. The contract seemed particularly vulnerable to sud-den backwardations, or discounts of the cash price over the price for the three-month posi-tion. This is the reverse of the usual position in a futures marhet - a contango, where the price of the three-month metal is higher than the cash price be-



cause it takes into account storage and handling costs.

Backwardation upsets users from a lack of physical liquidity age and handling costs.

Backwardation upsets users from a lack of physical liquidity who want to use the market to - that is there is not much 99.5 hedge their positions in the per cent aluminium about. In classical way by locking into a LME warehouses over the past future price. According to Mr Green, the volatility of the contract led some producers and the standard metal, which is mainly tract led some producers and the standard metal, which is mainly tract led some producers and the standard grade contract is that it suffers to that it suffers to the standard grade contract is that it suffers to that it suffe Green, the volatility of the contract described by tract led some producers and the market because they felt it was less dangerous to risk using the physical market for the metal. Producers in particular would tend to hold on to their metal to take advantage of the higher cash prices.

The lack of supply means that can equal the value of 99.7 per would tend to hold on to their metal, and it is worth delivering the higher grade metal against a standard grade contract traded 171,575 lots, compared with only 10,880 lots for

1500 1000 1982 1983 1984 1985 1986 1987

LME Aluminium prices Called

Cash, 99-5% purity

the 99.7 per cent metal is no longer available for delivery and prices fluctuate wildly.

the high grade contract. Only about 20,000 tonnes of high grade aluminium has been deprices fluctuate wildly.

The LME was convinced that once the high grade contract was available, the sterling contract would rapidly become the

grade aluminium has been de-livered to LME warehouses.

The exchange now believes it was a mistake not to phase out the standard grade contract when the high grade contract was launched. It also believes that the high grade contract will. take off once the standard grade contract has gone - and that both physical and trading li-quidity will be found in the 99.7 per ceni sector.

not have two successful con-tracts in a single metal. A simi-lar situation arose at the LME when the zine contract changed in 1984. When the old contract was phased out, traders auto-matically switched to the new

The decision to phase out the old aluminium contract has been criticised by some mer-chants as being taken with too much haste and too little consultation. But Mr Green be-lieves that if the decision had been taken when the high grade contract started up, no one would have questioned it.

Producers, on the other hand, being far more realistic, and hope to be able to drop their familiar criticism that LME metal is for buying and selling - not formers for using

As Mr Green told the LME annual dinner at Grosvenor House earlier this month: The high grade aluminium has all the po-tential physical liquidity but has not yet the trading liquidity to be a success - so to put it crudely even though the water looks cold it is because it is a

bigger pool and there are few swimmers to warm it up.

So I suppose we decided to line you all up at the edge and

Options

Unrivalled sector for volatility

IN THE notoriously perilous to 50 per cent.

world of commodity investment Back in May many dealers the control of risk rates a high

Low deposits (typically around 10 per cent of contract value) mean that very high prof-its are possible from relatively modest initial outlays. But, by the same token, the potential for losing money quickly is much greater than in most other

The simplest way of guarding against excessive losses is the determinination of a level at which a loss-making investment is to be aborted - known as a "stop-loss" order. But that carries with it the risk of a basically sound investment being auto-matically cancelled because of matically canceled because of a temporary deviation from the expected price trend.

That problem does not apply in the case of options.

in the case of options.

In return for a one-off premium payment the option investor gets an unlimited profit potential with no further financial risk. He is essentially placing a bet on the future performance of a particular commodity

Most agree that options trading has the last six months

Purchase of an option confers on the buyer the right, but not the obligation, to buy (in the case of a "call") or sell (in the case of a "call") or sell (in the case of a "put") by some future date at a predetermined price. If the price moves in the right direction by more than the amount of the premium the investor can declare the option and immediately sell (or buy back) at a profit. If it does not he loses money - but the loss cannot be greater than the preminot be greater than the premi-um. The price of that security is the forfeiture of a portion of the potential profit - ie the premi-

and the trade was an over-the-counter one, transacted on a principal-to-principal basis between granters and

At the end of May, however, the LME accompanied its adop-tion of a central clearing system with the launch of traded options for all of its six metals.

That was seen as the begin-

That was seen as the beginning of a new era for the trade. Brokers were confident that improved market "transparency" and accurate tracing of dealing trails would help to allay investors' fears about entering the formerly shadowy world of metals options. The investor could now be sure that he was not being "ripped off and marked up." ing "ripped off and marked up," was how one dealer put it at the

From the outset the alumini-um market was expected to be the main beneficiary of the new um market was expected to be show a much bigger profit, even the main beneficiary of the new after writing off the cost of the system. Although no official fig-abandoned option. ures were available there was no doubt that there had already been a major surge in aluminium options trading. Three years earlier the trade had amounted to less than 10 per cent of LME which appears to be proving irmates of its level in the second quarter of this year ranged up

Back in May many dealers were sceptical about that 50 per cent figure, but few would dispute it now. Most agree that aluminium options trading has at least doubled over the past six months. "We haven't seen such a level of business before," says Mr Peter Allen of Rudolf Wolff, an LME dealer.

That comment goes for futures turnover as well as op-

tures turnover as well as op-tions and to some extent options trading has clearly been borne up on the rising tide of futures trading. On the other hand the surge in futures business un-doubtedly owes a good deal to the growth in options-related

In the January/May period the tract averaged a monthly turn-over of 1.69m tonnes, a figure that more than doubled to 3.78m tonnes in the following four months.

months.

The pace of the rise recorded in traded options volume has been even more impressive, although, at first sight, the actual figures inpear relatively modest. LME figures show that in August options turnover for standard aluminium doubled to 148,625 tonnes from 784,375 tonnes in July; and in September it moved further ahead to 182,375 tonnes.

That is not the whole story. ures record only the inter-bro-ker options business of clearing members, which is only the tip of the iceberg. Much of the cli-ent business done by non-clear-ing members cancels itself out ing members cancels itself out and does not enter the clearing system. The exchange is report-ed to be keen to have this busi-ness reported (probably without the clients being identified) which would greatly enhance the usefulness of its figures.

The other factor to which the recorded information gives no clue is the level of option-related business. Options granter have to cover their exposures successful investors will even-tually cash in their holdings; and trading against options can

the forfeiture of a portion of the potential profit - ie the premium.

Because he needs to cover his premium before he starts to show a profit the options investor is looking for bigger price movements than the straight futures speculator - so price volatility is a necessary element for a flourishing options trade.

In recent years few commodity sectors have rivalled aluminium in terms of volatility. At the end of June the London Metal Exchange quotation for three mouths delivery standard grade aluminium stood at about £280 a tonne; in the past two weeks its has moved above the £1,200 a tonne mark.

Until recently the level of LME options trading was entirely a matter for conjecture. There was no organised market and the trade was an overthe-counter one, transact-

A better plan, once the price reached \$1,500, would have been to have sold his option, which by then would have been worth about \$110 a tonne (allowing for clapsed time and accrued profit), giving him a profit

of \$1,350.

Better still, according to Mr
Allen, he could have traded
against his option. "He could
have sold aluminium at \$1,500 a tonne, secure in the knowledge that he could operate his option and cover the sale at \$1,400 a tonne at any time, he explains. tonne at any time," he explains.

If, as actually happened, the price rose further, little harm would have been done and he would still have been in a position to cash in his \$1,100 profit. But if it had fallen sharply he might have been able to buy back on the futures market and show a much hister profit even.

In effect an option, once it is which appears to be proving ir-resistible to more and more



From trains to cylinders, from catamarans to cars

WHEN LONDON Underground begins its refurbishment of the will almost certainly be the material from which its new trains

will be built. Three prototypes are to be tested, two built by Metro-Cammell and one by British Rail Engineering. All have bodies made from a series of large aluminium profiles which run the full length of each carriage and are welded together at the

edges.
West Germany's new InterCity experimental train, new
high-speed trains being designed in Denmark, and the latest Paris Metro trains are all based on the same construction principle. The metal is also making its mark in the marine where its light weight and corassets, and in the automotive in-

Although the material is more expensive than steel, the inte-grated designs made possible are often more cost-effective than components put together from a selection of standard

By careful design, gains can be made both in shorter assem-bly times and improved engi-neering performance. The builder of the Paris Metro builder of the Paris Metro trains, Societe Franco Belge de Materiel de Chemins de Fer, reckons to have saved about a carriage builder of industry include gas cylinder of the Paris Metro ders need.

Oil industry include gas cylinders, corrosion-resistant externeed ders, corrosion-resistant externeed new applications in the marine nal cladding, walkways and industry, where light weight handrails.

Aluminium construction also

offers the advantages of light railway carriages are supplied

ium-based metal-ceramic composites offer the prospect of more efficient, reliable petrol and diesel engines.

The process behind aluminimity is adoption by the European railway industry is extrusion. This involves forcing heated aluminium through a specially designed die to produce lengths of material with almost any shape cross-section.

Although the material is more in third of the cost of making similar trains using traditional again important. In the oil industry, a recent Department of Energy report suggests that, by turning to aluminium instead of steel, oil rig constructors could seel, oil rig constructors could seel, oil rig constructors could seel on offshore rigs. These extrusions are used for this service sions have built-in fixtures to ensure easy assembly and integrated designs, using aluminium extrusions, and the bridging structure between the two hulls.

It is the automotive industry, however, which remains the lar-

put together from standard steel sections

weight, corrosion resistance and easier finishing. The large save between 40 and and 70 per sections used to build these cent on offshore structures. mainly by Alusuisse of Switzer- have a major infulence over the land, one of the few companies viability of the smaller, marginin the world to have presses al oilfields now being explored
large enough to turn out the size in the North Sea. Possible uses
of extrusion the carriage buildfor aluminium in the offshore

gral tubes to carry fire-extin-On the calmer waters of the Thames, a shallow-draught, wa-Thames, a shallow-draught, water-jet propelled catamaran is undergoing proving trials as a river bus to operate between the centre of London and its Docklands area. When a public service beging probably in the summer of 1988, it will be a 15-minute trip from Chelsea Har-

on offshore rigs. These extrasions have built-in fixtures to
ensure easy assembly and inteshipbullders of Porchester. Alshipbullders of Porchester. Al-

gest potential user of aluminium in mechanical engineering of the metal alone.

applications. Aluminium, alloy has been used for the cylinder been thought impractical and expensive for many small petrol epgines for some time. Jaguar's truded components have been newest engine, the six cylinder produced in the UK from siliaff is of all-aluminium construction and is some 30 per improduced in the UK from silicon carbide-reinforced aluminium by Alcan Internation in Eanbury, and Wellworthy, an AE group company, has pro-

XI40 engine it replaces.

AE group company, has proSeveral component manufac duced diesel engine piston
turers are working on new apparts in aluminium alloy
plications of the metal in very reinforced with alumina ceramhigh-stress applicationsis such ic.

loys with particles or fibres of very stiff materials like carbon

as connecting rods. For this, a Most recently, however, annew type of materials technolo-other British company, Gray Adgy-metal matrix composites is vanced Materials, of Yeovil, being applied. Metal matrix Somerset, has begun producing

posite components using a tech-nique developed originally by managing director Dr Andrew Clifford while working for the UK MoD.

The process, called liquid pressure forming involves injecting liquid metal into a mould which already contains the fibre reinforcement. Dr Clifford says that using this tech-nique, complex shapes can be formed to very precise toler-

ances.

His company has already used its technique to produce a torpedo hull which, Dr. Glifford says, would have been difficult. if not impossible, to make by

Other possible applications for this new strong, light and high-temperature resistant group of materials include brake calipers for cars, gas cylinders, robot arms, overhead and marine propellors.

Richard Wood is Editor of Engi-

Packaging

Uses continue to be extended

drinks from a can. The French. with their wine-drinking tradition, have a strongly-en-trenched glass bottle tradition. West Germany also has a strong bottle industry although it is second only to the UK among users of cans. Cans are also preferred in Sweden, Italy

But where Europeans use on average 30 cans a year, in the US the figure is 195 - there the can is as indispensible as the

The beer and beverage can market may be one of the most important packaging end users of aluminium but the range of packaging uses continues to expand: from trays for frozen foods, to bottle and cannister seals. From collapsible tubes for toothpaste and cosmetics to foil wrapping for dairy foods, barrier layers for sachets, backbarrier layers for sachets, back-ing for blister packs and foli-lined cartons for fruit juices.

Therefore I 1985, and both 1986 and this year have been ex-tremely buoyant for the fabrica-

Then there is foil sheet, sold by the roll in supermarkets and shops for kitchen and general

the-art...

cans mean aluminium or tin-plate. For years tinplate was king but now aluminium has grown to the point where it shares the market. Mr Alan Aylesbury, president of the Alu-minium Federation and manag-ing director of Alcoa Manufac-turing (GR) believes aluminium turing (GB), believes aluminium could make even greater in-roads into the packaging market were it not or the fact that tin-plate is "protected."

No government would want to see the steel industry decline even further, he claims, and so it is given every opportunity to find a market for its products. Even the European Commission in Brussels looks more favourably on steel production areas than almost any other product. Even so, the outlook is good, he says. "After years of reces-sion the industry turned the

shops for kitchen and general household use. British Alcan, and Star, a subsidiary of Alusuisse, are the UK leaders in this field, and Star, for example, is undertaking a big investment at its Bridgnorth works to stay Every concern in Britain that

in the price of the

British Aluminium, and pulled out of our distribution system."

At the heart of the strategy was the decision by Alcoa to

was the decision by Aicta to concentrate on one main prod-uct: can ends and ring pulls. By concentrating, we have got our costs down and gone from strength to strength. We now have a plant capable of turning out 60,000 tonnes a year, all aimed at the European market." To hold that position Alcoa is just about to start a £21m invest-ment programme at Swausea, not only its main production

more sensible levels."

Alcoa is one of the concerns which has rationalised heavily.

There were a lot of difficult decisions to be made. We pulled out of secondary smelting at Aylesbury; sold the foil side to

Our only worry at the

Morks in Europe now but also with a beneficial effect on the economy, it also provides a cheap source of material. Cans ployer with 850 employees.

Within Europe's packaging of the recycled into ingot using just 5 per cent of the energy costs needed to produce new watts, marketing manager of British Alcan Sheet. Writing in the July-Angust issue of Alaminium Industry, he says that while the UK has above average consumption of drinks cans and easy-open ends, it has low continued. easy-open ends, it has low con-sumption of foil. In France, by comparison, can consumption is low and in West Germany, where even pet food is canned in aluminium foil containers, foil consumption is very high."
The UK is now a significant user of aluminium packaging for fish products such as canned sardines, and olives and meat paste, and - still a miniscule market - wine in small cans. But while the market for aluminium packaging for these and other uses is booming the producers are keeping a watchful eye on on the alternatives, such as glass and plastics, as well as tin-

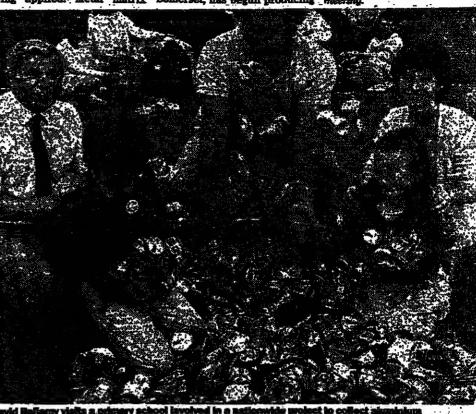
> Of considerable importance to the industry is the move to recycle aluminium cans, which is not only ecologically sound

me cross me progress made in the US, where the environmen-tal and ecology lobby has made deep inroads. There, the all-of-s-piece ring-pull has a strong hold on the market and more than half the cans produced are

In the US, 590,000 tonnes of alminium is recycled each year, earning more than \$200m for the charities and collectors. The tonnage is almost as great as that used in West Germany, the leading European consum-er. In the UK cans with a total value of £24m are buried as

waste of them are nutrier as waste each year.

Then without recycling. Mr Aylesbury says, "the potential for growth in packaging is enor-



Anthony Moreton

Anthony Moreton

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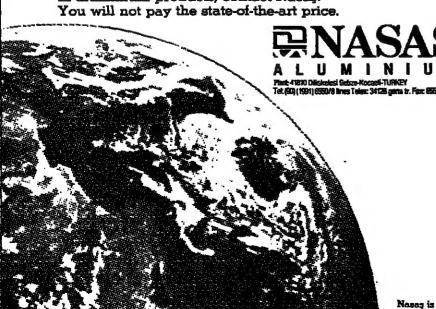


aluminium foil and converted aluminium foil, 2.000.000 meters of aluminium irrigation pipes... With a manufacturing technology that reflects the state-of-

No wonder Nasaş matches the topmost quality of the world giants of aluminium and exports approximately 60 percent of its annual production to countries ranging from

US to USSR. Surprising however is the fact that Nasaş beats their prices in most cases. And Nasaş hardly ever ignores any inquiry or project for smallness of size.

So if you are after the state-of-the-art quality and services in aluminium products, contact Nasas:



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